REVIEW OF THE ISSUANCE OF FEDERAL BENEFIT CHECKS TO DECEASED BENEFICIARIES

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

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REVIEW OF THE ISSUANCE OF FEDERAL BENEFIT CHECKS TO DECEASED BENEFICIARIES

WEDNESDAY, FEBRUARY 6, 1991

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON OVERSIGHT,
Washington, D.C.

The subcommittee met, pursuant to call at 9:30 a.m., in room 1100, Longworth House Office Building, Hon. J.J. Pickle (chairman of the subcommittee) presiding.

[The press release announcing the hearing follows:]

FOR IMMEDIATE RELEASE
WEDNESDAY, JANUARY 30, 1991

PRESS RELEASE #1
SUBCOMMITTEE ON OVERSIGHT
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1105 LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-5522

THE HONORABLE J. J. PICKLE (D., TEXAS), CHAIRMAN,
SUBCOMMITTEE ON OVERSIGHT, COMMITTEE ON WAYS AND MEANS,
U.S. HOUSE OF REPRESENTATIVES,
ANNOUNCES A PUBLIC HEARING TO REVIEW THE ISSUANCE OF FEDERAL
BENEFIT CHECKS TO DECEASED BENEFICIARIES

The Honorable J. J. Pickle (D., Texas), Chairman of the Subcommittee on Oversight, Committee on Ways and Means, U.S. House of Representatives, announced today that the Subcommittee will conduct a hearing to review the issuance of Federal benefit checks to deceased beneficiaries. In addition, the Subcommittee will consider the effectiveness of current Federal efforts to reduce the incidence of issuing such checks.

The hearing is scheduled for Wednesday, February 6, 1991, beginning at 9:30 a.m., in the main Committee hearing room, 1100 Longworth House Office Building. The Subcommittee has requested testimony from the U.S. General Accounting Office, the Social Security Administration, the Department of Labor, the Department of Veterans' Affairs, the Department of Defense, the Railroad Retirement Board, and the Office of Personnel Management.

In announcing this hearing, Chairman Pickle stated: "I am concerned, as are most Americans, about finding ways to reduce inefficient government programs and government waste. While recently there has been great focus on our national tax policies, there should be equal Congressional concern with making sure that Federal monies are well-spent.

"It is for this reason that the Ways and Means' Subcommittee on Oversight asked the U.S. General Accounting Office (GAO) to report on the manner in which government payments to individuals are handled, and the use of Social Security Administration (SSA) and State information sources to insure that erroneous benefit checks are not issued to deceased persons. Specifically, we asked GAO how the various agencies responsible for benefit payments get and use information on beneficiary deaths. We are concerned that some agencies obtain information showing that a death has occurred, while others, for lack of that information, continue to make benefit payments to the deceased.

"At our request, GAO reviewed the benefit payments made by the Department of Defense, the Department of Labor, the Office of Personnel Management, and the Railroad Retirement Board. GAO compared certain benefits paid by these agencies with death records gathered by SSA. Based on this comparison, GAO found that in one month in 1989 these agencies made benefit payments to 5,935 beneficiaries reported to be deceased. The value of these possibly erroneous benefit payments exceeded $4.3 million for the single month.

"In a follow-up analysis of 156 of these cases, GAO's preliminary findings indicate that 130 of these beneficiaries were indeed deceased, that in 118 cases the elapsed time from the date of death to benefit termination exceeded four months, and that in 55 cases the elapsed time exceeded two years. In just this small sample of follow-up cases, GAO identified over $2.4 million dollars in total erroneous benefit payments from the date of the beneficiaries' actual deaths until the time they were removed from the benefit rolls.

"While I recognize that it will never be possible to prevent all erroneous payments by the Federal Government, it is not acceptable that a Federal agency continues to make benefit payments for months,

(MORE)

and even years, after one or more other Federal agencies of have obtained information showing the beneficiary to be deceased. We must ensure that this type of information is appropriately available and shared within the Federal Government."

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Because the oral testimony at the hearing will be presented by invited witnesses only, interested parties are encouraged to provide written statements for the printed hearing record. Persons submitting written comments for the printed record of the hearing should submit six (6) copies by the close of business, Wednesday, March 6, 1991, to Robert J. Leonard, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, room 1102 Longworth House Office Building, Washington, D.C. 20515.

SEE FORMATTING REQUIREMENTS BELOW:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will **not** be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. Statements must contain the name and capacity in which the witness will appear or, for written comments, the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the witness appears or for whom the statement is submitted.
4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and public during the course of a public hearing, may be submitted in other forms.

BEST AVAILABLE COPY

Chairman PICKLE. The Chairman asks the subcommittee to come to order.

We have a very interesting subject here this morning for the Oversight Subcommittee to examine. I want to welcome Congressman Bill Thomas to be with us. He was a member of this subcommittee and then left for other fields, but he was one of those who joined, initially, in a letter to the GAO asking that a survey be made of this particular subject. So Mr. Thomas, we are glad to have you and will recognize you in a minute.

Mark Twain, when commenting about rumors concerning his death, remarked that, "The reports of my death are greatly exaggerated." You can get in trouble when you prematurely report a death. But I think we will learn today that there is an even greater risk associated with ignoring reports of death.

At the request of members of this subcommittee, the General Accounting Office found that thousands of beneficiaries have continued to receive Federal checks for months and years after their death. This is just the tip of the iceberg since GAO has only reviewed 6 of over 100 existing Federal benefit programs.

These erroneous payments involve millions of dollars in misdirected benefits each month. In some cases, benefits have been paid to people who died over a decade ago. Erroneous benefits have, over time, mounted up to the point that individual cases, a few cases, they exceed $100,000. It would seem to me, then, that there is considerable room for improvement.

The purpose of this hearing is to review the effectiveness of current Federal efforts to reduce the incidence of issuing benefit checks to deceased beneficiaries and to explore options for improving performance in this area. This is not the first time we have undertaken this effort.

In the early 1980s, the Social Security Subcommittee undertook a similar review. At that time, we found that Federal benefit checks were indeed being issued to deceased beneficiaries. To address the problem, we recommended that the Social Security Administration gather death information from the States and share that information with other Federal and State agencies.

Based on those recommendations, Congress enacted, as part of the Social Security amendments of 1983, a provision allowing for the use of death certificates to correct program information in Federal and State benefit programs. Under present law, the Social Security Administration is authorized to enter into contracts with the States to purchase death information. Thus, it is entirely appropriate for the Subcommittee on Oversight to review the progress that has been made in this area, to consider the causes of any shortcomings that have been encountered, and to explore any further improvements which might be made.

It is not my intention today to endorse specific measures to reduce these erroneous payments. It does, however, seem clear to me that ensuring a more rapid flow of death information between the various units of government is critical to the success of any efforts to stop these payments. I do not think anyone would defend the payment of benefits to dead people.

Advances in the technology of gathering and transmitting data make rapid and routine sharing of death information administra-

tively and economically feasible. I believe the challenge that now lies before the administration, the States, and the Congress is to act promptly to resolve this matter in a way that protects the legitimate interests of all involved, but most especially those of the taxpaying public.

At the end of this hearing, it may be appropriate to consider specific coordinated approaches for addressing the current situation. I have asked the subcommittee staff to work with the Subcommittee on Social Security and the Office of Management and Budget in developing such an approach.

I look forward to hearing from the witnesses today with suggestions that they might have about how we can improve the present system.

[Chairman Pickle's prepared opening statement follows:]

OPENING STATEMENT
THE HONORABLE J. J. PICKLE, CHAIRMAN
SUBCOMMITTEE ON OVERSIGHT
COMMITTEE ON WAYS AND MEANS
HEARING ON
THE ISSUANCE OF FEDERAL CHECKS TO DECEASED BENEFICIARIES
FEBRUARY 6, 1991

Mark Twain, when commenting on an untimely news account of his demise, is reported to have remarked that, "The reports of my death are greatly exaggerated." Such is the risk from prematurely reporting a person's demise. But, as we shall learn today, there is an even greater risk associated with ignoring death reports. At the request of Members of this Subcommittee, the General Accounting office found that thousands of beneficiaries have continued to receive Federal checks for months and years after their deaths. This is just the tip of the iceberg, since GAO has only reviewed six of the over 100 existing Federal benefit programs. These erroneous payments involve millions of dollars in misdirected benefits each month. In some cases benefits have been paid to people who died over a decade ago. Erroneous benefits have, over time, mounted up to the point that in individual cases they exceed $100,000. It would seem to me that there is considerable room for improvement.

The purpose of this hearing is to review the effectiveness of current Federal efforts to reduce the incidence of issuing benefit checks to deceased beneficiaries, and to explore options for improving performance in this area. This is not the first time we have undertaken this effort. In the early 1980's, the Social Security Subcommittee undertook a similar review. At that time we found that Federal benefit checks were indeed being issued to deceased beneficiaries. To address the problem, we recommended that the Social Security Administration gather death information from the States, and share that information with other Federal and State agencies. Based on these recommendations, Congress enacted, as part of the Social Security Amendments of 1983, a provision allowing for the use of death certificates to correct program information in Federal and State benefit programs. Under present law, the Social Security Administration is authorized to enter into contracts with the States to purchase death information. Thus, it is entirely appropriate for the Subcommittee on Oversight to review the progress that has been made in this area, to consider the causes of any shortcomings that have been encountered, and to explore any further improvements which might be made.

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# # # # #

Chairman PICKLE. Now the Chair would like to recognize next, Mr. Schulze, for any preliminary statement he might want to make.

Mr. SCHULZE. I thank you, Mr. Chairman. I am pleased to join you in opening our first Oversight hearing in the 102d Congress. Under your leadership, Mr. Chairman, the subcommittee established a strong track record of achievement in the last Congress.

The subcommittee completed a major review of the U.S. Customs Service, spearheaded the drive to curb the abuse of transfer pricing by foreign-owned U.S. subsidiaries; strengthened the financial condition of retiree health benefit plans; and began the process of establishing a framework for the financial soundness of Government-sponsored enterprises.

The subcommittee agenda for the 102d Congress is equally challenging. The Republican members look forward to working with you to carry out our agenda. In particular, I welcome the new members of the subcommittee to what should be a very busy and rewarding experience.

Mr. Chairman, Federal benefit programs annually pay out over $500 billion to individual beneficiaries. The largest programs include Social Security, civil service retirement, military retirement, veterans benefits, railroad retirement, and black lung disability.

The agencies that administer these programs rely primarily on voluntary reporting to identify deceased beneficiaries and to stop the issuance of further checks. Voluntary reporting typically identifies about 95 percent of deceased beneficiaries, but the remaining few percent still represent a large number of individual beneficiaries and potential erroneous payments.

Congress recognized this issue by including a provision in the Social Security Amendments of 1983 to allow the Social Security Administration to contract with States to purchase death certificate data. Today, we will review how the Social Security Administration has used this authority; how successful has it been in applying State-supplied data to identify deceased beneficiaries. How do other agencies identify deceased beneficiaries for the programs which they administer? What steps do they take to identify deaths which are not voluntarily reported to them?

Finally, do the agencies routinely share death data among themselves in order to stop erroneous payments? What are the groundrules for sharing such data? Are there any factors which restrict or inhibit the sharing of data which should be addressed? Can the impediments be solved by administrative action or are statutory changes needed?

Although the slippage in death data may be small in percentage terms, the Government may experience a large financial loss because the total number of beneficiaries is so very large; over 50 million.

We start this hearing with a lot of questions. I hope we end it with a lot of encouraging answers. Mr. Chairman, I join you in welcoming our witnesses this morning.

Chairman PICKLE. Thank you, Mr. Schulze. I am going to ask if any other members have a preliminary statement. I have asked Mr. Jenkins and Mr. Sundquist, new members of this subcommittee, but not for that reason, to help us give leadership in this pro-

gram, and to, perhaps, be a part of any task force that will be put together on this issue.

I would be glad to recognize Mr. Jenkins for any statement, if you want to make one.

Mr. JENKINS. Mr. Chairman, it is a pleasure to be back on the subcommittee after an absence while sitting on the Budget Committee. After reviewing the GAO report and discussing the preliminary findings with other members of the subcommittee, as well as with staff, there appears to be a significant problem in this particular area. And I look forward to working with the subcommittee and with the chairman in trying to resolve the problem in the best possible way that we can. Thank you.

Chairman PICKLE. Thank you, Mr. Jenkins.

We are pleased to have you as a part of this committee. Mr. Thomas.

Mr. Sundquist.

Mr. Bunning.

Mr. Thomas.

Mr. THOMAS. Thank you, Mr. Chairman.

I look forward to rejoining you after my service on the Budget Committee is over as well. Mr. Chairman, I want to thank you for including me in this hearing. You and I have pursued this question through two subcommittees. I served with you when you were chairing the Social Security Subcommittee, and then 3 or 4 years ago on Oversight as we began this investigation.

I was initially alerted to this by a grocer coming to me, one of my constituents, indicating that he was responsible for forged Government checks. We began, then, this process of investigating just how terminal, how completely ending death is. We have found out that it may be a little bit like that woman in Indiana who wanted to be buried in Chicago because she wanted to maintain her voting record.

If you don't want to die, get into the Government computers, and at least the largest of the Government will follow you far beyond your passing. We can all joke about it, and until we really understood the scope, the magnitude of the problem in terms of dollars and cents, I was not as focused on it as I was until I looked at the GAO report.

We are talking possibly millions every week. It continues to amaze me that when I can go into any commercial establishment in the United States that has a particular sticker on the door, and within 1 minute my identity can be verified and I can walk out with relatively expensive merchandise for having handed them a piece of plastic and receive a relatively accurate bill following that.

There are people who somehow don't get their death recorded inside the Federal Government structure for years. I, too, am not proposing any particular solution. I am certainly looking at the options. But it seems to me that at a time when the States are complaining that they are not getting some of the Federal largess, or at least what they believe is to be their fair share of the Federal largess, and that we are restricted from using State materials, but the Federal Government provides States with materials, that there certainly is a fertile ground for cooperation here in which both operations can be improved. I look forward to the testimony.

I am curious as to some of the responses that some of the witnesses you have lined up are going to give to questions which seem inevitable, and that is, how come? Thank you, Mr. Chairman.

[Mr. Thomas' prepared statement follows:]

Statement of the Honorable
BILL THOMAS
Before the Subcommittee on Oversight
February 6, 1991

Mr. Chairman, I appreciate the help you and your staff extended to me during the past few years as we explored the complicated system through which government checks are controlled. This has not been a simple project for us in the years we have worked on it or for the General Accounting Office (GAO), which you and I formally asked to look into these complaints in 1989.

Today's hearing on the distribution and use of death information is more important than many would suspect. Merchants in my district, who first encouraged me to look into this situation, have often been made to bear the cost of forged instruments. Examples given to me involve checks originally cashed in the early 1980s. Years later, when the U.S. government found the checks were improperly endorsed, the government sought reimbursement from banks and the banks in turn demanded payment from the merchants. The merchants had no way to collect from the forgers, so they bore the cost.

While federal law now prevents the government from seeking restitution a year after a particular check is cashed, my constituents have raised some fundamental questions about the whole system. These questions are still important. We need to know why the government makes out checks to people who have passed away. You cannot fault my constituents' analysis of the situation: if the government does not make out a check, it cannot be fraudulently cashed.

Even though GAO has not been able to provide an overall figure of federal losses due to erroneous payments, a comparison of death information the Social Security Administration does have on nearly 6,000 cases with benefits paid by several other agencies shows over $4 million in payments were made in one month to people Social Security's information indicates were dead. No doubt, some of those people are alive and deserve their checks. GAO's detailed examination of individual cases indicates, however, that checks often go out long after a payee passes away.

In specific cases GAO studied, nearly $2.4 million in erroneous payments have been made over the years. Some of the examples are horrific. In one case, Civil Service Retirement benefits were erroneously paid out seventy times after the beneficiary passed away for a total of nearly $91,000. Another decedent got fifty-eight erroneous payments totalling nearly $85,000. In other cases, the checks continued to go out as much as six years after the beneficiary passed away.

Ways and Means should be vitally concerned about these cases. This Committee is responsible for raising the funds needed to finance Civil Service Retirement System payments. This Committee is responsible for the Social Security, Railroad Retirement and Black Lung trust funds. In today's budget environment, we cannot give anything away. We need to tighten up our controls.

Why is this going on? Perhaps because agencies cannot easily get access to state information on deaths. Social Security is supposed to make such information available to the extent it can. We need to explore how well that system works and whether agencies use it. Then, too, Social Security may be barred from circulating death information from some important sources. While states such as California do not restrict use of death information, others prevent reuse of the data. These states often charge for the use of their information. The restriction may limit access to data that could save tremendous sums of money every month.

Resolving any conflicts that discourage dissemination of this information appears at first glance to be one cost-

effective way to reduce unnecessary expenditures. We may have a rare opportunity to develop reforms preventing the kind of waste, fraud and abuse of government resources everyone wants to eliminate. This is not a hearing on esoteric government procedures, but rather the kind of investigation of government laxity our constituents demand. We have a chance to develop real reforms and I look forward to working with the agencies invited here today to install the most efficient information distribution system we can.

Chairman PICKLE. Thank you, Mr. Thomas.

You make some good observations. I think we all look forward to what the witnesses may say.

Mr. Jacobs, do you wish to be recognized for any preliminary statement?

Mr. JACOBS. Always, but I have no statement.

Mr. RANGEL. Is there any particular reason why the Chair is overlooking me?

Chairman PICKLE. Mr. Rangel.

Mr. RANGEL. Mr. Chairman, I just want to thank you for your leadership on this matter. One of the most serious problems we are facing is not that people are receiving checks that they should not receive, but rather that they don't believe that it is illegal to keep them. And so therefore the more attention we can focus on this matter, the more people will realize that they are actually committing a Federal crime. And I think that the mere fact that you bring these issues up makes people more aware because I don't really think the Administration focuses enough attention on these serious matters.

Thank you.

Chairman PICKLE. I think you make a good observation. That is certainly fair and we ought to keep it in mind. You may have a good point there.

Mr. RANGEL. Well, I know I have a good point, Mr. Chairman, because some of the heirs believe that if the deceased had a funeral bill or a rent bill or obligations that have to be paid, they just believe that they will just sign the check and pay the deceased's estate. So there is no question in my mind I have a good point, and I will take as much time as necessary to persuade you that I do.

Chairman PICKLE. We look forward to any statement you wish to make. I don't minimize those observations at all. Now, the subcommittee had requested that GAO conduct a survey and a review of this overall death certificate problem, and they have conducted such an interview.

Our first witness this morning, then, is Lawrence Thompson, the Assistant Comptroller General of the Human Resources Division of the GAO. Mr. Thompson, if you will take your position, do you have someone with you, and if so, identify the individual and we will be glad to receive your testimony.

STATEMENT OF LAWRENCE H. THOMPSON, ASSISTANT COMPTROLLER GENERAL, HUMAN RESOURCES DIVISION, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY GREG McDONALD, ASSOCIATE DIRECTOR, INCOME SECURITY; AND ROLAND H. MILLER III, ASSISTANT DIRECTOR

Mr. THOMPSON. Thank you, Mr. Chairman.

I am accompanied this morning by Greg McDonald, who is sitting on my left, and is an Associate Director in the income security area in our office, and Rod Miller is Assistant Director, who is responsible for supervising the report that we supplied you last night.

I have a prepared statement. If you would be so kind as to put the whole thing in the record, I would read from a part of it. I am

pleased to be here to testify on our work concerning the use of the Social Security Administration's death information by other Federal agencies to help remove deceased persons from benefit roles.

SSA maintains the most comprehensive list of death information in the Federal Government. It routinely receives this information from voluntary sources, such as family members, funeral homes, and other Federal agencies, and to supplement these reports, SSA purchases death certificate information from State bureaus of vital statistics.

Your subcommittee asked us to determine whether SSA's death information is used by other Federal agencies to detect erroneous payments and, if not, to assess the potential benefit from doing so. We matched SSA's death records with current payment records for programs operated by the Department of Labor, the Department of Defense, the Office of Personnel Management, and the Railroad Retirement Board.

Our testimony today also includes information from our July 1990 report on matching SSA's death records with the Department of Veterans' Affairs payment files and a report to be issued soon that we are preparing on matching SSA's death records with payment files for food stamps, AFDC, and State general assistance programs administered in Maryland, Pennsylvania, and the District of Columbia.

Mr. Chairman, our work has shown that Federal and State agencies erroneously pay millions of dollars each month to the accounts of deceased beneficiaries. Despite the enactment of legislation in 1983 intended to remedy this situation, agencies continue to rely on voluntary reporting to their individual programs to identify beneficiaries deaths.

Few agencies obtain SSA's more comprehensive file of voluntarily reported death information, and those that do could make more effective and timely use of the data for reducing erroneous payments. No Federal agency receives the death information SSA purchase from the States, although VA and SSA are now negotiating an agreement to initiate such an exchange.

Most of SSA's data on beneficiary deaths, the voluntarily reported data, are available to any agency that requests it, but there is no requirement Governmentwide that Federal agencies obtain and use this information.

Only three Federal agencies, OPM, DOD, and the Railroad Retirement Board, obtain and use this voluntarily reported death information from SSA. They administer only 18 of the more than 100 programs that provide cash and other assistance to individuals.

The Social Security Amendments of 1983 authorized SSA to obtain and share State death certificate information with other Federal and State agencies. SSA purchases death information from State bureaus of vital statistics. However, it does not provide the information to any Government agency because of State disclosure restrictions in some cases and because of SSA's concern that the agencies may not use the information properly.

Now, to illustrate the benefits that could be obtained by the routine use of SSA's data, we matched agency payment files for September 1989 with SSA's death information.

For the two labor programs, which currently do not use any SSA data, we identified potential erroneous payments of $127,000 per month to 123 deceased beneficiaries. For RRB, OPM, and DOD, we identified 613 cases using the State death data and 5,199 cases using SSA's voluntarily reported data.

To help quantify the benefits of using these data, we referred 156 of these cases to the Labor Department, the Railroad Retirement Board, and the other departments for followup investigation. Of the 156, the four agencies identified 121 cases that should have been terminated, involving about $2.4 million in erroneous payments to decedent's accounts.

In 73 of these cases, the payments exceeded $10,000 per account. For example, SSA's records showed that a person receiving monthly OPM retirement benefits of $2,304 died in November 1985. OPM verified the death and terminated the benefits in October 1990, after erroneous payments exceeded $122,000.

Terminating these cases was only part of the problem. In 70 percent of the cases, the benefits were not stopped until 1 to 6 years after the beneficiaries recorded date of death. In these cases, it is much less likely that the erroneous payments will be recouped because of the amount of the erroneous payments outstanding and the increased likelihood of fraud.

As previously mentioned, States could also benefit from using SSA's death data. For a recent 2-year period, we identified nearly 3,000 instances in which Maryland, Pennsylvania, and the District of Columbia paid welfare benefits to beneficiaries who were listed as deceased in SSA's records and had been listed that way for from at least 2 months to over 2 years.

States investigated a subset of these cases to see if they could confirm the deaths, and they found 86 cases, as part of a sample we provided them, that they verified as being instances where dead people were receiving benefits.

Mr. Chairman, impediments to Governmentwide use of the SSA's purchased death information include State negotiated restrictions on the use of the data by other Federal agencies and States' desire to be compensated for each Federal agency's use of the death information they provide.

In 19 of the 53 State agreements, SSA is permitted to disclose the State death information to other Federal agencies. The receiving agencies must, however, agree to restrict the use of this information to screening of the benefit files; and, second, to independently verify the fact and date of death before taking any action that may affect an individual's entitlement to benefits.

These are controls that we believe are very reasonable. SSA is permitted to provide these data to other agencies, but it has not done so up to this time. We are told, in part, because of a concern that the other agencies may not verify the information in accord with the State restrictions.

The other 34 State agreements prohibit SSA from disclosing the purchased death information unless the agency receiving that information obtains a written release from each State. These States insist on these restrictions as a condition for allowing SSA to purchase the information.

States give several reasons for these restrictions. One is that they wish to receive compensation through additional sales of death certificates for use of their data. They also cite a desire to protect the confidentiality of the information.

We do not believe that either of these should be allowed to be a barrier to the use of State death data in other Federal benefit programs. In particular, we fail to see why the Federal Government should have to purchase the same death information more than once from the States.

We also find the confidentiality argument unconvincing. The Social Security Act already precludes public disclosure of the State death information provided to SSA. This protection would logically extend to other Federal agencies receiving the information from SSA.

The States also stand to benefit from the systematic use of SSA's comprehensive file of death information. Death information could be routinely provided to the States as part of the electronic Social Security number verification that SSA already provides each State. This would be particularly useful for preventing erroneous payments and fraud in such programs as aid to families with dependent children, food stamps, Medicaid, and other totally State-funded programs.

The usefulness of this information would be the greatest if it included both the voluntarily-reported, as well as the State-purchased death information from all of the States. Mr. Chairman, we believe the State death information is a critical internal control for reducing erroneous payments in both Federal and State benefit programs and should be provided to SSA without restrictions for use by Federal and State benefit programs.

Thus, we believe legislation may be needed that would enable SSA to more easily disclose the purchased data to other agencies, and in addition, we think the OMB should require Government-wide use of SSA's comprehensive file of death information.

Mr. Chairman, this concludes my prepared statement. I would be happy to answer any questions you or the other members of the subcommittee may now have.

[The prepared statement and report follow:]

United States General Accounting Office

GAO Testimony

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FEDERAL AGENCIES NEED SSA'S DEATH INFORMATION TO AVOID ERRONEOUS PAYMENTS

Statement of
Lawrence H. Thompson, Assistant
Comptroller General
Human Resources Division

Before the
Subcommittee on Oversight
Committee on Ways and Means
House of Representatives

GAO/T-HRD-91-6

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to testify on our work concerning the use of the Social Security Administration's (SSA) death information by other federal agencies to help remove deceased persons from benefit rolls.

SSA maintains the most comprehensive list of death information in the federal government, and probably the nation. It routinely receives this information from voluntary sources, such as family members, funeral homes, and other federal agencies. To supplement these reports, SSA purchases death certificate information from state bureaus of vital statistics.

Your subcommittee asked us to determine whether SSA's death information is used by other federal agencies to detect erroneous payments and, if not, to assess the potential benefit from doing so. We matched SSA's death records with current payment records for programs operated by the Department of Labor, the Department of Defense (DOD), the Office of Personnel Management (OPM), and the Railroad Retirement Board (RRB). These agencies are responsible for administering 20 programs that annually pay more than $56 billion in disability, retirement, and survivor benefits to over 5 million beneficiaries. Excluding social security, these programs make up 41 percent of the income security dollar.

Our testimony today also includes information from our July 1990 report on matching SSA's death records with the Department of Veterans Affairs' (VA) payment files for its compensation and pension programs, and a report to be issued soon on matching SSA's death records with payment files for the Food Stamp, Aid to Families With Dependent Children, and state general assistance programs administered by Maryland, Pennsylvania, and the District of Columbia.[1]

Our work has shown that federal and state agencies erroneously pay millions of dollars each month to the accounts of deceased beneficiaries. Despite the enactment of legislation in 1983 intended to remedy this situation, agencies continue to rely on voluntary reporting to their individual programs to identify beneficiaries' deaths and initiate actions to either end or appropriately reduce benefits to survivors. Few agencies obtain SSA's more comprehensive file of voluntarily reported death information, and those that do could make more effective and timely use of the data to reduce erroneous payments. No federal agency receives the death information SSA purchases from the states, although VA and SSA are negotiating an agreement for such an exchange.

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[1]Veterans' Benefits: VA Needs Death Information From Social Security to Avoid Erroneous Payments (GAO/HRD-90-110, July 27, 1990).

FEW AGENCIES USE SSA'S DEATH INFORMATION

Most of SSA's data on beneficiary deaths--the voluntarily reported data--are available to any agency that requests it, but there is no governmentwide requirement that federal agencies obtain and use the information. Moreover, some benefit-paying agencies may not be aware of the data since SSA has not publicized its availability. Only three federal agencies--OPM, DOD, and RRB--obtain and use SSA's voluntarily reported death information. These agencies administer only 18 of the more than 100 programs providing cash or other assistance to individuals.

The Social Security Amendments of 1983 authorized SSA to obtain and share state death certificate information with other federal and state agencies. SSA purchases death information from state bureaus of vital statistics; however, it does not provide the information to any government agency because of state disclosure restrictions and its concern that agencies may not use the information properly.

BENEFITS OF USING SSA'S DATA

To illustrate the benefits that could be obtained by the routine use of SSA's data, we matched Department of Labor, OPM, RRB, and DOD payment files for September 1989 with SSA's death

information. The match showed that these agencies paid benefits to 5,935 beneficiaries listed as deceased in SSA's records at least 3 months earlier. The potential erroneous payments in these cases totaled $4.3 million per month. In a similar study, we found that VA paid compensation and pension benefits to 1,212 veterans in April 1989 who were listed as deceased in SSA's records at least 4 months earlier. The potential erroneous payments totaled $475,000 per month.

For the two Labor programs, which do not use any SSA data, we identified potential erroneous payments of $127,647 per month to 123 deceased beneficiaries. For RRB, OPM, and DOD, we identified 613 cases using SSA's state death data and 5,199 cases using SSA's voluntarily reported data.

OPM and DOD officials attributed the large number of undetected deaths we identified, using the same SSA information they use, to delays in obtaining SSA's data and to inaccuracies in SSA's data. We note that SSA's data bases contain some inaccuracies, but SSA believes this information is at least 90-percent accurate.

To help quantify the benefits of using SSA's data, we referred 156 cases to Labor, RRB, OPM, and DOD for follow-up investigations. The four agencies identified 121 cases that should have been terminated, involving about $2.4 million in

erroneous payments to decedents' accounts. In 73 (60 percent) of these cases, the payments exceeded $10,000 per account. For example, SSA's records showed that a person receiving monthly OPM retirement benefits of $2,304 died in November 1985. OPM verified the death and terminated benefits in October 1990, after erroneous payments exceeded $122,000.

Terminating these cases was only part of the problem. In 70 percent of the cases, the benefits were not stopped until 1 to 6 years after the beneficiaries' recorded date of death. In these cases, it is much less likely that the erroneous payments will be recouped because of the amount of the erroneous payments outstanding and the increased likelihood of fraud.

As previously mentioned, states could also benefit from using SSA's death data. For a recent 2-year period, we identified nearly 3,000 instances in which Maryland, Pennsylvania, and the District of Columbia paid welfare benefits to beneficiaries listed as deceased in SSA's records for from 2 months to over 2 years after the date of death. States confirmed deaths and resultant erroneous payments in 86 cases that they investigated as part of a sample we provided them for verification.

COST OF USING SSA'S VOLUNTARILY REPORTED DEATH DATA MINIMAL

SSA provides its file of about 40 million voluntarily reported deaths to DOD, OPM, and RRB without charge. The agencies that use SSA's death information consider it a cost-effective internal control to detect erroneous benefit payments. For example, OPM said it saved $440 for each $1 spent to perform its death matches for May-September 1990. The agencies' cost to use this information is minimal and considered a normal operating expense for ensuring the accuracy of program benefit payments.

BARRIERS TO USING SSA'S PURCHASED DEATH INFORMATION NEED TO BE ADDRESSED

Impediments to governmentwide use of SSA's purchased death information include (1) state-negotiated restrictions on the use of the data by other federal agencies and (2) states' desire to be compensated for each federal agency's use of the death information they provide.

In 19 of its 53 state agreements, SSA is permitted to disclose state death information to other federal agencies. The receiving agency must, however, agree to (1) restrict the use of this information to screening of its benefit files and (2)

independently verify the fact and date of death before taking any action that may affect an individual's entitlement to benefits--controls that we believe are reasonable. SSA is permitted to provide these data to other agencies, but it has not done so because it is concerned that other federal agencies may not verify the information in accord with the state restrictions.

The other 34 state agreements prohibit SSA from disclosing the purchased death information unless the receiving agency obtains written releases from each state. The states insisted on these restrictions as a condition for allowing SSA to purchase the information.

States give several reasons for the restrictions. One is that they wish to receive compensation through additional sales of death certificates--for use of their data. They also cite a desire to protect the confidentiality of the information.

We do not believe that either of these should be allowed to be a barrier to the use of state death data in other federal benefit programs. In particular, we fail to see why federal agencies that would use SSA's death information would also need, as a matter of course, to purchase individual state death certificates. Moreover, we fail to see why the federal government should have to purchase the same death information more than once from the states.

We also find the confidentiality argument unconvincing. The Social Security Act already precludes public disclosure of the state death information provided to SSA. This protection would logically extend to other federal agencies receiving the information from SSA.

The states also stand to benefit from the systematic use of SSA's comprehensive file of death information. Death information could be routinely provided to the states as part of the electronic social security number verification that SSA already provides each state. This would be particularly useful for preventing erroneous payments and fraud in such programs as Aid to Families With Dependent Children, Food Stamps, Medicaid, and other, totally state-funded, programs. The usefulness of this information would be the greatest if it included both the voluntarily reported as well as the state-purchased death information from all the states.

We believe the state death information is a critical internal control for reducing erroneous payments in both federal and state benefit programs and should be provided to SSA without restrictions for use by federal and state benefit programs. Thus, we believe legislation is needed that would enable SSA more easily to disclose the purchased data to other agencies. In addition, OMB should require governmentwide use of SSA's comprehensive file of death information.

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Mr. Chairman, this concludes my prepared statement. We will be happy to answer any questions you or other members of the Subcommittee may have.

United States General Accounting Office
Report to Congressional Requesters

GAO

February 1991

FEDERAL BENEFIT PAYMENTS

Agencies Need Death Information From Social Security to Avoid Erroneous Payments

Printed copies of this document will be available shortly.

GAO/HRD-91-3

GAO Form 171 (12/87)

GAO

United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division
B-242346

February 6, 1991

The Honorable J. J. Pickle
Chairman, Subcommittee on Oversight
Committee on Ways and Means
House of Representatives

The Honorable William M. Thomas
House of Representatives

This report responds to part of your January 24, 1989, letter concerning federal agencies' use of death information to prevent erroneous benefit payments and the collection of overpayments. As agreed with your offices, our objectives were to determine (1) the feasibility of making the Social Security Administration's (SSA) death information available to other federal agencies and (2) the potential effect of doing so.[1] Your overall concern was that federal agencies may make erroneous payments to deceased beneficiaries' accounts because of incomplete or out-of-date death information. Our response to the part of your request dealing with agencies' collection of overpayments will be reported separately.

SSA maintains the most comprehensive list of death information available in the federal government and, probably, the nation. SSA routinely receives information on beneficiary deaths from other federal agencies and private sources--such as family members and nursing and funeral homes. To supplement this information, SSA also purchases death certificate information from each state's bureau of vital statistics.

In doing our work, we matched SSA's death information with payment records for the Department of Labor, the Department of Defense (DOD), the Office of Personnel Management (OPM), and the Railroad Retirement Board (RRB). These agencies are

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[1]The extent of erroneous payments to deceased beneficiary accounts under the Department of Veterans Affairs' compensation and pension programs was the subject of a similar request by the Chairman, Senate Committee on Veterans' Affairs. See Veterans' Benefits: VA Needs Death Information From Social Security to Avoid Erroneous Payments (GAO/HRD-90-110, July 27, 1990).

responsible for administering 20 federal benefit programs, which provide more than $56 billion in disability, retirement, and survivor benefits each year to more than 5 million beneficiaries (see app. II). More details on our scope and methodology are given in appendix I.

RESULTS IN BRIEF

Each month federal agencies erroneously pay millions of benefit dollars to deceased beneficiaries because they lack a timely, effective way to detect unreported beneficiary deaths and end or reduce payments. In September 1989, 20 federal benefit programs made more than $4.3 million in potentially erroneous payments to the accounts of beneficiaries who were listed as deceased in SSA's records, some of whom had been dead for over 6 years. Moreover, the longer such erroneous payments continue and the larger the debt becomes, the more difficult and costly it becomes for the government to recover erroneous payments, and the greater the probability that they will never be recovered.

SSA can make its voluntarily reported death information available to other federal agencies at no cost. However, only 18 of about 100 benefit programs currently obtain and use this information, and these 18 do not obtain the SSA information frequently enough to effectively reduce erroneous payments. Moreover, SSA purchases supplemental death information from state bureaus of vital statistics, but does not provide this information to any federal agency because of state disclosure restrictions and its concern that agencies may not use the information properly.

We believe that (1) the routine use of both types of SSA information by other benefit paying agencies could significantly reduce the number and duration of erroneous payments and save taxpayers millions of dollars annually, and (2) the Office of Management and Budget (OMB) should require its governmentwide use. To facilitate this use, the Congress will need to act to enable SSA to uniformly disclose its purchased death information to other agencies.

BACKGROUND

In fiscal year 1990, excluding Social Security, about 100 federal programs made an estimated $312 billion in benefit payments or other assistance to qualifying people. Most of these programs rely on family members, funeral homes, and others to voluntarily report beneficiary deaths. (The voluntary sources and other means used by federal agencies

to acquire beneficiary death information are listed in app. III.)

To minimize its erroneous payments, SSA--the payer of over $240 billion to 43 million beneficiaries--has developed the most extensive data base of death information in the federal government. This data base includes information relating to about 40 million voluntarily reported deaths. Additionally, under section 205(r) of the Social Security Act, SSA purchases death certificate information from state bureaus of vital statistics to supplement voluntarily reported information. SSA estimates that it pays about $500,000 per year to acquire this supplemental information and that the benefits from using this information far outweigh its cost. Using state-provided information, SSA collects an average of about $40 million per year in erroneous payments that it otherwise might not recover and avoids undetermined amounts of additional erroneous payments it might otherwise make.

SSA can provide the voluntarily reported death information to other federal programs for their use in preventing erroneous payments. Information purchased by SSA from the states, however, is subject to state-negotiated restrictions on its use.

SSA has entered into two types of purchase agreements with states to obtain death certificate information. Under one type, SSA has agreed not to disclose nearly 900,000 reported deaths to other federal agencies unless an agency first obtains a written release from the state. Under the second type, over 430,000 reports of death can be disclosed to certain other federal agencies. Under both types, however, SSA has agreed to verify the fact and date of death independently before taking any action that may affect a person's continued entitlement to benefits.

FEW FEDERAL AGENCIES USE
SSA DEATH INFORMATION

There is no governmentwide requirement for federal agencies to obtain and use SSA's voluntarily reported information on beneficiary deaths, although it is generally available. Moreover, SSA has not publicized its availability, believing that most agencies already know about it. However, only three of the federal agencies that could benefit from using such information--OPM, RRB, and DOD--obtain and use SSA's voluntarily reported death information. No federal agency obtains any of the information SSA purchases from the states.

DOD, OPM, and RRB officials who use SSA's voluntarily reported information told us they were unaware that SSA purchased death certificate information from the states. They believed SSA was giving them all the information it had on beneficiary deaths.

VALUE OF USING SSA DEATH INFORMATION

For 20 of the largest federal benefit programs, we demonstrated the value of obtaining and using SSA's death information by matching it with DOD, Labor, OPM, and RRB payment files. The match showed that for September 1989, these agencies paid benefits to 5,935 beneficiaries who had been listed as deceased in SSA's records at least 3 months earlier (June 1989). We estimated that these beneficiaries' accounts received potentially erroneous payments of $4.3 million per month. In an earlier review of veterans' benefit programs that also did not use SSA's death information, we identified about $480,000 per month in potentially erroneous payments.[2]

To clarify, as shown in table 1, by using SSA's voluntarily reported death information, we identified 5,308 potentially erroneous payment cases, and using SSA's state death certificate information, we identified another 627 cases in the Labor, DOD, RRB and OPM programs.

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[2]In a similar study we found that in April 1989, the Department of Veterans Affairs paid compensation or pension benefits for 1,212 veterans who SSA records showed had died at least 4 months earlier. See GAO/HRD-90-110, July 27, 1990.

Table 1: Agency Records Indicate Active Payments While SSA Records Indicate Death

Agency	Source of death information: SSA voluntarily reported death information	Monthly erroneous payments	State death certificate information: Unrestricted	Monthly erroneous payments	Restricted	Monthly erroneous payments	Total state	Monthly erroneous payments	Total SSA death data	Total monthly erroneous payments
Labor:										
Black lung	39	$16,066	1	$ 359	0	$0	1	$359	40	$16,425
FECA[a]	70	94,302	2	1,960	11	14,961	13	16,920	83	111,222
Subtotal--Labor	109	110,367	3	2,319	11	14,961	14	17,279	123	127,647
RRB	141	55,330	14	9,747	23	16,985	37	26,733	178	82,063
OPM	1,545	1,100,629	80	61,129	97	86,645	177	147,774	1,722	1,320,403
OOD	3,513	2,485,873	195	140,415	204	138,553	399	278,968	3,912	2,764,841
Subtotal--RRB, OPM, and OOD	5,199	3,721,832	289	211,291	324	242,183	613	453,475	5,812	4,175,307
Total	5,308	$3,832,200	292	$213,610	335	$257,144	627	$470,754	5,935	$4,302,954

[a]Federal Employees' Compensation Act.

Before our match, Labor officials told us they did not believe they needed SSA's death information because Labor's payment of survivor benefits after the death of the primary beneficiary encourages adequate voluntary reporting directly to the agency. For the two Labor programs we reviewed, however, we identified potentially erroneous payments of $127,647 per month to 123 beneficiaries that Labor had not identified. Of these 123 cases, 109 were identified using SSA's voluntarily reported data. The other 14 cases were identified using SSA's state death information. Labor officials have since said that they intend to begin using SSA's information to supplement their own information.

The most unreported deaths were in DOD, OPM, and RRB--agencies that already receive SSA's voluntary information. For these programs, using SSA's state death information, we identified 613 cases of potentially erroneous payments. Because they do not receive this information, these agencies made about $454,000 in erroneous payments for September 1989. But using SSA's voluntarily reported information, we identified another 5,199 reported deaths, representing potentially erroneous payments of about $3.7 million per month, in these same benefit programs.

In discussing with OPM and DOD officials possible reasons for the large number of unreported deaths we identified using the same SSA information they use, we found that a large number resulted from agency delays in obtaining SSA's data. For example, OPM officials said they would have not received the 3-month-old SSA data we used to match against OPM records for another 3 months because they receive the data semiannually. OPM has since decided to request updated SSA death information quarterly in an effort to reduce its erroneous payments. DOD officials told us they had already identified 1,569 of the 3,513 potentially erroneous payment cases we identified. DOD officials provided these cases to the responsible military agencies for verification of death. The results were not yet available at the completion of our work.

OPM and DOD officials said that some cases we identified were based on erroneous SSA death information. OPM officials believed that about 20 percent of the beneficiaries were incorrectly listed as deceased in SSA's records. We note that a 1988 SSA study on the accuracy and timeliness of death information it received between February 1983 and July 1987 showed that 14 percent of the reports received from the Health Care Financing Administration and 5 percent of the state reports were incorrect. SSA officials

told us they believe their current death information is about 90-percent accurate. We believe that the possibility of incorrect reporting underscores the need for user agencies to verify death data independently before taking such actions as ending benefits, but does not mitigate the value of the data for identifying and reducing erroneous payments.

We selected and referred 156 cases identified in our matches to DOD, Labor, OPM, and RRB for follow-up investigations. As a result, the agencies identified about $2.4 million in erroneous payments to decedents' accounts (see app. IV). In 73 cases (60 percent), erroneous payments exceeded $10,000, as shown in appendix V.

A total of 130 of the 156 cases resulted in terminations. In 60 (38 percent) of the 156 cases investigated by the agencies, we were told that benefit payments had already been terminated. In some cases, however, the benefits were terminated between the time we did our computer matches and the time we sent the cases to the agencies for verification. Agency officials, we were told, took action to terminate another 70 of the 156 cases (45 percent) as a result of the information we provided. (See app. VI.)

In 108 of the 130 terminated cases (83 percent), the elapsed time between the beneficiary's recorded date of death and benefit termination ranged from 4 months to over 6 years. In 91 (70 percent) of the 130 cases, terminations did not occur until 1 to 6 years after the beneficiary's recorded date of death (see app. VII).

The following are examples of cases the agencies terminated as a result of the information we provided:

-- SSA records showed that a person receiving monthly OPM payments of $2,304 had died in November 1985. Through field investigation, OPM verified the beneficiary's date of death; benefit payments were finally ended in October 1990. Erroneous payments to the account totaled $122,334. OPM officials plan to refer the case to the Federal Bureau of Investigation for potential fraud review.

-- RRB made monthly payments of $571 to a beneficiary who, SSA records showed, died in February 1984. After verifying the date of death through field investigation, RRB terminated benefit payments on May 17, 1990. Erroneous payments to the account totaled $46,800. Action had been initiated to reclaim outstanding

benefits, RRB officials said, and the case will be referred to the Office of the Inspector General for investigation of potential fraud.

-- SSA records showed that the Department of Labor made monthly black-lung benefit payments of $538 to a person who had died in January 1987. Labor verified the date of death and ended benefit payments on May 30, 1990. Erroneous payments to the account totaled about $21,000. The case will be referred to the Office of the Inspector General, agency officials said, since fraud is suspected. The Inspector General will need to determine who cashed the benefit payment checks after the date of death.

-- DOD continued to pay military retirement benefits to the last known address of a veteran who, SSA records showed, had died on August 15, 1987. A Marine Corps investigation verified that the beneficiary had died, and benefit payments have since been ended. As of June 1990, estimated erroneous payments totaled $21,350.

COST OF USING SSA'S VOLUNTARILY REPORTED DEATH DATA MINIMAL

SSA provides its data base--of about 40 million voluntarily reported deaths--without charge to the three federal benefit-paying agencies currently requesting it. Further, SSA officials expressed their willingness to provide this information to other agencies. But in exchange, the agencies must agree to provide data to SSA verifying beneficiary deaths in their own programs. This would help SSA improve the accuracy and completeness of its records. SSA is about to complete such an interagency data exchange agreement with the Department of Veterans Affairs (VA).

Some of the smaller benefit-paying agencies may lack the capability to run automated computer matches against their current payment files. But SSA is developing a system, SSA program and systems officials said, that would allow agencies to submit a computer tape with basic identifying information about its beneficiary population, such as name, social security number, and date of birth. SSA would match this tape against its number identification file, which includes the voluntarily reported death information. SSA officials said they would provide this service at no charge to federal agencies. SSA has already done so for OPM and plans to do the same for VA.

The agencies that now use SSA's voluntarily reported death information consider it a cost-effective internal control to detect erroneous benefit payments. OPM's information shows that it saved $440 for each $1 expended to match OPM's death data with SSA's for May-September 1990. We previously reported that DOD's cost to semiannually match retired payment files of the military agencies with SSA's death data is about $2,500.[3]

IMPEDIMENTS TO USING SSA'S PURCHASED DEATH INFORMATION NEED TO BE ADDRESSED

Impediments to governmentwide use of SSA's purchased death information include (1) agreements negotiated with states that prevent SSA from disclosing certain death certificate information to other agency's and (2) states' wanting to be compensated for each federal agency's use of the information they provide.

In 19 of its 53 state agreements, SSA is permitted to disclose state death certificate information to federal agencies administering health or income maintenance programs. The receiving agency, however, must agree to (1) restrict the use of this information to administrative screening of its payment files and (2) verify the fact and date of death independently before taking any action that may affect a person's entitlement to benefits. Although SSA is authorized to provide this information to other federal agencies, it has not done so because SSA officials are concerned other federal agencies may not verify the information in accord with the state restrictions. The other 34 agreements prohibit SSA from disclosing the purchased death certificate information to other federal programs unless the agency obtains a written release from the originating state. The states insisted on these restrictions as a condition for allowing SSA to purchase the information.

According to the Association for Vital Records and Health Statistics (AVRHS), a national association representing state bureaus of vital statistics, states have two reasons for insisting on disclosure restrictions. First, the states want to secure reasonable compensation (through sales of death certificates) for the expanded use of death information in other federally financed programs. Second,

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[3]ADP Systems: Army and Air Force Military Retired Pay Systems Can Be Improved (GAO/IMTEC-87-32, Aug. 28, 1987).

they want to maintain data confidentiality by controlling the potential use of the information.

Although the states are concerned about protecting the confidentiality of their death certificate information, we note that the Social Security Act already exempts such information from the disclosure requirements generally applicable to federal agencies. This protection would also extend to other federal agencies receiving the state information from SSA. However, to further address state and SSA concerns about the possible misuse of the information, in our view, each federal agency that receives state information from SSA would need to (1) develop appropriate safeguards to prevent its unauthorized disclosure, (2) use the information exclusively for matching their payment files against state records to detect erroneous payments, and (3) take appropriate measures to ensure the information is verified before terminating benefits.

Regarding state compensation, SSA now pays $0.21 per record for state death certificate information. States with restrictive agreements, AVRHS officials believe, likely would agree to allow SSA to provide information on the fact of death to other federal programs. But the receiving agencies would likely be required to purchase, for about $4 each, a death certificate directly from the state as the first step in independently verifying a death before ending benefit payments. However, we fail to see why federal agencies that would use SSA's death information would also need, as a matter of course, to separately purchase individual state death certificates since the SSA purchased information is drawn from the same death certificates.

The federal government currently provides, free of charge to the states, information on wages and social security benefits for their use in verifying applicants' eligibility for welfare and determining payment amounts. Both the states and federal agencies stand to benefit from the systematic use of SSA's comprehensive file of voluntarily reported and state-purchased death information, particularly with respect to preventing erroneous payments in such programs as Aid to Families With Dependent Children, Food Stamps, and Medicaid.

CONCLUSIONS

Some federal benefit programs are making substantial erroneous payments to decedents' accounts because the agencies lack a timely, effective means to independently detect unreported beneficiary deaths. In administering its

benefit programs, SSA receives voluntarily reported death information from many sources and purchases death certificate information from the states. This information would be valuable to other programs as an investigative lead to identify potentially erroneous payments. SSA currently provides voluntarily reported death data to three agencies that administer only 18 of the estimated 100 federal benefit programs that need the information. SSA provides no state death certificate information to any federal agencies. Without this information, payments to some deceased beneficiary accounts continue for extended periods, resulting in potential fraud, increased collection difficulties, and unrecoverable debts.

There are no barriers to prevent other federal programs from obtaining and using SSA's voluntarily reported death information. However, state restrictions on SSA's sharing the state-purchased information with other agencies as well as SSA's concern that receiving agencies may not use the information in accord with the state restrictions has precluded SSA from sharing it with other federal agencies. This information, however, is a critical internal control for reducing erroneous payments in federal benefit programs and thus is needed by these programs. Moreover, the information already is protected from public disclosure. Although the states are concerned about receiving additional compensation for each agency's use of their information, in our view, the federal government should not have to pay for the same information more than once.

We believe legislation is needed to cause the states to lift the restrictions on the use of their death information, allowing SSA to disclose this information to other federal agencies. Further, OMB should require governmentwide use of SSA's death information.

RECOMMENDATION TO THE CONGRESS

To prevent erroneous federal benefit payments to decedents' accounts, we recommend that the Congress legislatively require, as a condition of receiving related federal assistance, that the states lift the restrictions on the use of their death information.

RECOMMENDATIONS TO THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

To ensure the systematic sharing and use of death information among federal agencies, we recommend that the Director, OMB, require the heads of all executive

departments and agencies responsible for administering benefit programs to (1) obtain, as frequently as appropriate, SSA's voluntarily reported death information and, if and when available, state death certificate information; (2) match this information with agencies' current benefit payment files; (3) independently verify beneficiary deaths; and (4) when appropriate, take prompt action to end benefits and collect erroneous payments. The Director should require SSA to provide such information to all agencies requesting it. Furthermore, the Director should require these agencies to advise SSA of the results of agency investigations to improve the accuracy of SSA's death information.

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As agreed with your office, we did not obtain written comments on a draft of this report. However, we discussed its contents with DOD, Labor, OMB, OPM, RRB, and SSA officials and incorporated their views as appropriate. We are sending copies of this report to appropriate congressional committees; the Secretaries of Health and Human Services, Defense, and Labor; the Directors of OMB and OPM; the Chairman, RRB; and other interested parties. Please call me at (202) 275-5365 if you or your staffs have any questions about this report. Other major contributors are listed in appendix VIII.

Lawrence H. Thompson

Lawrence H. Thompson
Assistant Comptroller General

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Abbreviations		
AVRHS	Association for Vital Records and Health Statistics	
DMDC	Defense Manpower Data Center	
DOD	Department of Defense	
FECA	Federal Employees' Compensation Act	
OMB	Office of Management and Budget	
OPM	Office of Personnel Management	
RRB	Railroad Retirement Board	

SSA	Social Security Administration
SSN	social security number
VA	Department of Veterans' Affairs

SCOPE AND METHODOLOGY

To document SSA's and other federal agencies' policies, procedures, and practices for obtaining beneficiary death notice information, we interviewed officials at SSA and four selected agencies responsible for administering federal benefit programs. We selected these programs because they represent several of the larger federal benefit programs in terms of the number of beneficiaries covered and the total payments made. These agencies and the benefit programs they are responsible for are as follows:

-- Department of Labor Black Lung and Federal Employees' Compensation Act (FECA) disability and death programs.

-- Department of Defense military retirement and survivors programs for the Army, Air Force, Navy, and Marine Corps.

-- OPM and RRB retirement system programs.

We also reviewed agency claims-processing and death notice procedures, program manuals, and benefit case file information for the selected programs. We interviewed SSA and other agency officials to determine (1) why other federal programs had not obtained and used SSA death information and (2) what actions would be needed to obtain periodic access. We did not review how well SSA uses death information in its own programs to detect erroneous payments.

We also interviewed officials from the Association of Vital Records and Health Statistics and several state bureaus of vital statistics in order to determine (1) the states' rationale for limiting further disclosure of restricted death certificate data and (2) the actions that could be taken to protect the state interests and still provide leads to federal programs to minimize erroneous payments.

To assess the potential usefulness of SSA's voluntarily reported death information and state death certificate information, we used computer matching and analysis techniques. We obtained disability compensation and retirement payment records, as of September 1989, from the Defense Manpower Data Center (DMDC), Labor, OPM, and RRB. DMDC does the consolidated match between the DOD retired payment files and SSA's voluntarily reported death information.[1] Using the social security number (SSN) as the primary identifier, we matched DMDC, Labor, OPM, and RRB

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[1]The consolidated DOD retired pay file reflects service benefit payments as of the end of June 1989.

agency payment files against (1) SSA's voluntarily reported death information as of September 1989 and (2) both SSA's unrestricted and restricted state death certificate information.

We first compared agency payment records, as of September 1989, with SSA's file of voluntarily reported information for the same month. This file included records of about 39.5 million deaths. We also obtained an SSA file including unrestricted information from over 430,000 state death certificates and compared it with the same payment files. Finally, we obtained an SSA file including restricted information from about 900,000 state death certificates and compared it with the same agency payment records.

We did not include an estimate of payments to deceased survivors of primary beneficiaries because most agencies do not record the survivors' SSNs in agency payment files. Instead, the payment files use the primary beneficiary's SSN to manage survivor accounts; SSA records survivor deaths, however, by their own SSNs. This precludes effective computer matching.

To verify the deaths of the program beneficiaries identified using SSA's voluntarily reported death information, we compared the reported deaths with SSA's Master Beneficiary Record. Deaths recorded in that record are, in many cases, later supported by state death certificate information. Some voluntarily reported deaths are further corroborated by state death certificate information; this information, however, may not be 100-percent accurate because it has not been independently verified in all cases. For example, SSA does not require verification of voluntarily reported data if the payment of SSA benefits is not an issue.

Because we identified the reported death cases using death certificate information, generally recognized as the best evidence of death, we considered them to be confirmed deaths. The death certificate is prepared by independent local authorities and is the official state document establishing the fact of death.

Our work was done in accordance with generally accepted government auditing standards, with the following exception. Because it was beyond the scope of our evaluation, we did not (1) assess the adequacy of SSA's internal controls over its computer-based payment information or death data systems or (2) assess federal benefit agencies' procedures and practices for acquiring or verifying beneficiary death information or collecting erroneous payments.

APPENDIX I APPENDIX I

We did our work between May 1989 and August 1990 at SSA headquarters in Woodlawn, Maryland; the Washington headquarters offices of OMB, Labor's Office of Workers' Compensation Programs, OPM, and DOD; selected regional office locations for Labor's Division of Coal Mine Workers Compensation and RRB; and state bureaus of vital statistics in Michigan, New Jersey, and Pennsylvania.

SUMMARY INFORMATION ON FEDERAL AGENCY BENEFIT PROGRAMS SELECTED FOR REVIEW

Agency	Beneficiaries[a]	Total FY89 benefits (billions)	Average monthly benefit[b]
OPM	2,135,619	$27.22	$1,210
DOD[c]	1,595,850	20.26	1,133
RRB	903,502	7.00	690
Labor:			
FECA	294,963	1.27	1,118
Black lung	132,000	0.63	434
Total	5,061,934	$56.38	[d]

[a]Includes both retirees and survivors.

[b]Includes payments to retirees only.

[c]Includes the Army, Navy, Air Force, and Marine Corps.

[d]Not applicable.

AGENCY SOURCES OF DEATH INFORMATION

	Labor		Agency		
Source of information	FECA	Black lung	OPM	RRB	DOD
Voluntary reports					
Next-of-kin, family, or friends contact agency through telephone or mail	X	X	X	X	X
Executors of estates contact agency	X	X	X	X	X
Funeral directors report deaths of their clients	X	X	X	X	X
Checks returned by Postal Service marked "deceased"	X	X	X	X	X
Banks alert agency of death or suspicion of death, because of long period of inactivity in account	X		X	X	X
Periodic mailings and surveys					
Nonreturn/nonreceipt of questionnaires to determine income level and continuing entitlement to benefits	X	X	X	X	X
Nonreturn/nonreceipt of mailings to update beneficiary information	X	X	X	X	X
Computer matching					
Use SSA information to match against agency payment files			X	X	X

APPENDIX III

Reciprocal exchange with SSA to update death information in both agency payment systems	X	X	X	
Other exchanges with agencies to acquire death information		X	X	X

CASES OF ERRONEOUS PAYMENTS TO DECEASED BENEFICIARIES' ACCOUNTS

Agency	Cases		Erroneous payments	
	Terminated	With erroneous payments[a]	Identified[b]	Recovered[c]
Labor:				
Black Lung	7	7	$ 50,600.20	$9,030.00
FECA	7	3	42,616.33	10,755.12
OPM	70	70	1,825,107.33	15,667.60
RRB	16	15	216,952.33	906.48
DOD	30	26	309,454.23	52,585.16
Total	130	121	$2,444,730.42	$88,944.36

[a]Refers to any payment made after the beneficiary's recorded date of death.

[b]Refers to all payments made after the beneficiary's recorded date of death.

[c]Refers to the benefits recovered by the agency/program through normal collection procedures as of December 5, 1990.

RANGE FOR AMOUNTS OF ERRONEOUS PAYMENTS
TO DECEASED BENEFICIARIES

Agency	Cases of erroneous payments*	Payment amounts (thousands) Less than $10	$10-$20	$20-$30	$30-$40	$40-$50	$50-$60	$60-$70	$70-$80	$80-$90	$90+
Labor: Black Lung	7	6	0	1	0	0	0	0	0	0	0
FECA	3	2	0	1	0	0	0	0	0	0	0
OPM	70	20	18	10	7	7	1	1	0	4	2
RRB	15	5	8	0	1	1	0	0	0	0	0
DOD	26	15	3	4	3	1	0	0	0	0	0
Total	121	48	29	16	11	9	1	1	0	4	2

*Refers to any payment made after the beneficiary's recorded date of death.

APPENDIX V

POTENTIALLY ERRONEOUS PAYMENTS TO DECEDENTS' ACCOUNTS

	Agency												Combined SSA/ State Totals
	Black Lung		PBCA		OPM		RRB		DOD		Totals		
	SSA	State	SSA	State	SSA	State	SSA	State	SSA	State	SSA[a]	State[b]	
Cases referred	9	1	9	2	7	80	6	12	0	30	31	125	156
Terminated before GAO notice	4	1	6	1	1	10	4	6	0	27	15	45	60
Terminated because of GAO notice	2	0	0	0	1	58	0	6	0	3	3	67	70
Beneficiary alive per agency	3	0	3	1	5	9	2	0	0	0	13	10	23
Agency review in progress	0	0	0	0	0	3	0	0	0	0	0	3	3

[a]Potentially erroneous payment cases identified using SSA's voluntarily reported death information.

[b]Potentially erroneous payment cases identified using SSA's state death certificate information.

APPENDIX VI

APPENDIX VII

APPENDIX VII

TIME LAG BETWEEN BENEFICIARY'S RECORDED DEATH AND PAYMENTS ENDED

Agency	Total	Months between date of death and date of suspension/termination 1-3	4-12	13-24	25-36	37-48	49-60	61-72	72+
Labor: Black lung	7	1	4	2	0	0	0	0	0
FECA	7	4	2	1	0	0	0	0	0
OPM	70	0	2	22	16	12	12	3	3
RRB	16	2	3	8	2	0	0	0	1
DOD	30	15	6	3	3	3	0	0	0
Total	130	22	17	36	21	15	12	3	4

APPENDIX VIII

APPENDIX VIII

MAJOR CONTRIBUTORS TO THIS REPORT

HUMAN RESOURCES DIVISION, WASHINGTON, D.C.

Roland H. Miller III, Assistant Director, (301) 965-8925
Robert Rosensteel, Assignment Manager

PHILADELPHIA REGIONAL OFFICE

Richard G. Halter, Regional Management Representative
Richard W. Meehl II, Evaluator-in-Charge
James Kurtz, Evaluator
Paul C. Schwartzel, Evaluator
Jennifer Su Kim, Evaluator

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Chairman PICKLE. Well, we thank you, Mr. Thompson.

Let me observe that I am impressed with your testimony, and not only from a factual standpoint. Quite often when we ask GAO to make a review of a situation, they come back with a reported review. You have not only done that, but you have given us specific recommendations and aggressively have tried to help us find an answer.

Now, whether we can go in your direction remains for the committee to determine, but I thank you for saying something worthwhile and saying it bluntly and to the point. I appreciate it. Now, let me ask you, in your review has any Federal agency given you any reason why they do not use the available SSA death information or more specifically, has the Office of Management and Budget issued any guidelines about how this procedure should be followed? Do you know?

Mr. THOMPSON. OMB has issued no guidelines.

Chairman PICKLE. I wonder why not.

Mr. THOMPSON. I think they haven't focused on this problem. I think that your committee really, asking us to review this and then holding these hearings is highlighting a problem that a lot of people didn't realize was there. Of course, your committee highlighted the problem in the Social Security Program a number of years ago and got their attention and got a fix. However, the people running some of these other, smaller Federal benefit programs, weren't paying attention or they just figured that their program probably was immune to this sort of thing, or they never thought about it.

Chairman PICKLE. When the Social Security bill passed in 1983, it is my opinion, as a member of that subcommittee, that our intent was for the SSA to gather that information, furnish it back to the States, and for other agencies to use it simultaneously, and to do it in a coordinated manner. That hasn't been done, and the argument, I presume, is one of confidentiality. If that is a valid argument, and you say that it really isn't, I think the base of a lot of it is that they want to get paid for any information, separate and apart from what SSA has already paid to the various State agencies.

I think it is something that we need to look at specifically to see if we can't find a better answer to it. I am going to make a further comment about what I think the approach ought to be. However, I am now going to yield to Mr. Jenkins, if he has any questions he would like to ask.

Mr. JENKINS. Thank you, Mr. Chairman. I will have three or four questions.

How long after the SSA receives information is it available to other agencies, Federal agencies?

Mr. THOMPSON. After SSA receives it? Actually we are looking into that. We have one more followup piece of work that is looking into the flow of information and where the delays are, so we haven't really nailed that down, but I think it is at least a month or two.

Mr. JENKINS. So we don't know what the cause of the delay is if, in fact, there is a substantial delay at this point?

Mr. THOMPSON. Right. My impression is the program is working a little bit better than in previous years. When it first got started some of the States were not submitting data very quickly. They might submit—a few of the smaller States especially—once every 6 months, so you might have a person who had been dead for 6 months before the State ever submitted the data to SSA and then however long it takes SSA to process the information would be added on to that time.

Of course, the State-submitted data, at the moment, is not going anywhere beyond SSA. It is staying in SSA.

Mr. JENKINS. Because of the restrictions imposed by the States?

Mr. THOMPSON. Yes; two-thirds of the States basically have restricted SSA's ability to disclose the data. The other one-third have not, but I guess the bureaucratic inertia has prevented SSA and the other agencies from working out the protocols for sharing these data.

The Veterans' Administration is working with SSA now to get access to as much of the data as they can get access to, and that is, course, in response to our having done a separate review of the VA showing that there were deaths reported in these State files which the VA didn't know about and which were resulting in overpayments.

Mr. JENKINS. In the two-thirds of the States that restrict the use, is it primarily because they want to collect additional money? Is that really the reason?

Mr. THOMPSON. I suppose in all fairness you should ask them, but that certainly is my impression. Some of them try to finance their vital statistics programs more or less from user charges, so they want to increase the user charge income.

Mr. JENKINS. It would appear to me that maybe we ought to consider the possibility of—well, our problem obviously is that the Treasury is issuing checks that they should not issue, so maybe the contract ought to be with the Treasury rather than with the SSA.

Let Treasury do with it whatever it wants, what would be the problem there? Instead of having the contract between the SSA and the States——

Mr. THOMPSON. I would think it would be more efficient to have the contract between SSA and the States. However, we support the principle and, I think, stand behind your observation of why should the Government have to pay more than once. So the Government pays, as negotiated in the agreement. They pay, I think, 21 cents per record from the States.

SSA runs the largest Federal benefit program and regularly must update its files and maintain the largest file of deaths. The Treasury Department isn't in that business and would have to create the systems needed to do it, so I don't see why the Social Security Administration couldn't be the focal point. But I think the principle of paying once is one that we support.

Mr. JENKINS. Well, it baffles me to think that the citizens of any State are paying the costs for erroneous payments while at the same time the States don't want to help correct the problem because they want to collect an additional 21 cents for each death notice that you need.

It baffles me—but I will ask that question when we have those witnesses.

Mr. THOMPSON. If I may add, Mr. Jenkins, the States are losing money, too, in the AFDC and programs like that. If we had one place that collected the best and most comprehensive death information possible and then shared it with everyone, they would all save, not only Federal programs, but State programs.

Mr. JENKINS. There may be other good reasons for not agreeing to it, but I want to pursue that later. Why don't all the Federal benefit programs access the SSA's information base? As I understand it, the report States that only 18 of 100 programs use the information.

Mr. THOMPSON. I believe that they feel that their voluntary reporting systems are adequate. That is what they tell us, and it is too much work for them to then negotiate with the SSA. I don't happen to find that a very convincing argument, but that is what we have been told.

Mr. JENKINS. Thank you very much. I will have some other questions that I may want to submit, but I will not pursue this at this time, Mr. Chairman.

Chairman PICKLE. Thank you, Mr. Jenkins.

Mr. Thompson, you also said in your statement that no Federal agency now receives the death information that is furnished to SSA from the States. Why?

Mr. THOMPSON. Of course, SSA had to enter into agreements with each of the 53 jurisdictions to get their death information, and in entering into those agreements, two-thirds of the States entered into an agreement that restricted SSA's ability to redisclose.

Actually, they all had some restrictions, but two-thirds of them require that the other agency would have to go to the State and enter into negotiations.

Chairman PICKLE. I don't want to pursue this in detail, but in what way would disclosure of any of this information be in violation of confidentiality rules? Can you comment further on that?

Mr. THOMPSON. Well, there is a fear, I suppose, that if the fact of death is disclosed widely, then States which now—some States now sell that fact to commercial enterprises, and that would upset that market. Confidentiality is perhaps the correct term, but I wouldn't want you to think that we are talking about a well-developed theory that the right of privacy is somehow involved here in the information over the fact of death. That is public information.

Chairman PICKLE. Could the SSA, giving information to the States in disclosure, could they not disclose the cause of death? Could that be reported without showing the cause? All we are interested in is if the man or the woman is dead or alive. The cause is not——

Mr. THOMPSON. You may ask them. They may correct me if I am wrong. I don't believe they have any information on the cause of death, at least from this. They simply have the name, the Social Security number, and the date of death.

Chairman PICKLE. We will hear more about that. Mr. Sundquist.

Mr. SUNDQUIST. Thank you, Mr. Chairman. I join you with praise for GAO. It seems to me you have done a very effective job of out-

lining the problem and some of the solutions. This may be an unfair question.

Do you have any idea of the total dollars involved? If we could solve this issue with a "push of the button," how much money we would save in Federal agencies and State agencies, any idea?

Mr. THOMPSON. I don't have one. We didn't construct it. When you do these things you don't construct them in a way that makes it easy to come up with that number.

Mr. SUNDQUIST. What is your hunch? Is it $1 billion a year?

Mr. THOMPSON. That is probably a little high, but I think we are over $100 million.

Mr. SUNDQUIST. We are over $100 million, so somewhere between $100 million and upward, right?

Mr. THOMPSON. Right.

Mr. SUNDQUIST. You just did a sampling, right?

Mr. THOMPSON. Right. We did a one-time sample.

Chairman PICKLE. Will the gentleman yield?

In my opinion, Mr. Sundquist, you are talking more in the neighborhood of at least $200 million because we know that $4.5 million in just the month of September 1989, when you made the survey in only five different agencies, and when you consider there are 100 different agencies, with some that wouldn't be all that large, but, when you consider that, it would at least be $50 million a year, and you are probably talking at least a quarter of a billion.

Mr. THOMPSON. Now, some of that can be recovered and we have not really pursued that as part of this job.

Mr. SUNDQUIST. We are talking about lots of money. This is not just a few bucks when you talk about a quarter of a billion dollars. As the Chairman said, you reviewed only a handful of the hundred Federal benefit programs. In that number, Mr. Chairman, that doesn't include what the States would save also in their program.

Mr. Chairman, that wouldn't include the States, either.

Chairman PICKLE. No.

Mr. SUNDQUIST. So we are talking in excess of that.

Of the programs, of the 100 Federal programs—you didn't cover all of them. Which would you say are the ones that are run the best and any idea of those that have major problems?

Mr. THOMPSON. No, we didn't really focus on that. The ones we looked at tended to be the larger of the Federal programs, so although we only looked at 18 of over 100, we looked at the programs that accounted for probably the majority of the Federal direct payments.

Mr. SUNDQUIST. Did you look at how effective these agencies are in terms of dealing with fraud? Did you look at this at all?

Mr. THOMPSON. Not as part of this review.

Mr. SUNDQUIST. Not as part of this review. Because it seems to me that one of the problems we have is people. As Mr. Rangel said earlier, people don't know that it is against the law. I believe where there are certain extreme cases of people collecting for years and years, then some effective prosecution for fraud would spread the word.

Did you do anything in terms of overseas payments, because that is a peculiar kind of problem.

Mr. THOMPSON. No, we didn't. We just worked with the domestic death information. I agree, that is yet another problem.

Mr. SUNDQUIST. I will not take up anymore time, Mr. Chairman. I want to compliment you on the quality of the report. I think it indicates we may have need for some other information, further GAO studies.

Thank you.

Chairman PICKLE. Thank you. Mr. Rangel.

Mr. RANGEL. I am sorry, but did you have any information of the number of cases that were prosecuted, say, in last year for fraud of people cashing checks that did not belong to them?

Mr. THOMPSON. Separate from this review? I mean, nobody has been prosecuted that I know of from this particular review. There are, I think, a couple cases that still could be, but I don't have any independent information about how many people are prosecuted.

Mr. RANGEL. Well, isn't that important to what we are talking about today? We are talking about violations of the criminal code?

Mr. THOMPSON. Yes, sir.

Mr. RANGEL. I guess one of the jobs that we have in oversight is to see what the Government is doing about people receiving checks that don't belong to them and endorsing them in the name of the deceased beneficiary and receiving the benefits.

Mr. THOMPSON. That's right, sir. At the moment, we are talking about a study looking into how we can uncover instances of fraud. Some of them will be fraud, not all of them maybe, but instances of fraud which the Government hasn't been aware of heretofore.

Mr. RANGEL. I don't know, maybe I am missing something, Mr. Thompson, but if you are sending checks to Mr. Smith, and you find out that he died in 1989 and you find out that checks have been cashed in 1990, what is the next move by our Federal Government?

Mr. THOMPSON. Well, unfortunately, of course, the next move is to try to recover the money. Now, when you talk about the criminal——

Mr. RANGEL. What do you do? Do you refer it to the civil division of the U.S attorney's office?

I don't mean to be covering new ground, but it just seems to me that——

Mr. THOMPSON. Let me tell you where I think it ends up, Mr. Rangel, which I think you already know, which is a lot of these cases don't get prosecuted, frankly, because the U.S. attorneys are too busy doing other things.

Mr. RANGEL. I am trying to track this. Is it referred to—you can't do anything if it is not referred to the U.S. attorney.

Chairman PICKLE. If the gentleman at the desk wishes to make a statement, will you please identify yourself?

Mr. MILLER. Rod Miller. I am the Assistant Director in charge of this job.

What they do is they go to Treasury for recovery action. Treasury would go back on the bank that cashed the check, then you begin to work back.

Mr. RANGEL. Who would discover that the beneficiary has been dead for a year? Where would you discover that?

You see, I can't impress the chairman too much with the fact that a lot of people doing this really don't believe that it is illegal. If, indeed, a relative or friend dies, the rent is due, the undertaker is owed, and there are a lot of outstanding debts, and they come in and want to resolve these problems.

They sign the checks, and it starts getting good for them after the debt is removed while the checks are still coming in, and they keep signing the checks and you do it for 1 or 2 years. Now a citizen calls you and says Jonsey has been dead for 2 years and the daughter is still cashing checks. What do you do?

Mr. MILLER. Someone has to notify them. If it is not coming through normal channels, it is a neighbor.

Mr. RANGEL. I have already given you the notification. Now what do you do with the notification?

Mr. MILLER. Then the agency reports that fact to Treasury. That becomes a fraud case rather than an overpayment to them, so they don't pursue it through their normal channels like they would normal overpayments.

Mr. RANGEL. Does it go to the U.S. attorney's office?

Mr. MILLER. Eventually it does.

Mr. RANGEL. Could you give me information as to how many of those type of cases have been——

Mr. MILLER. We did not as part of this assignment try to collect that data, sir.

Mr. RANGEL. OK.

Mr. JENKINS. Charlie, would you yield to me on that?

Mr. RANGEL. Yes.

Mr. JENKINS. I think about 80 percent of the checks are now direct deposit checks?

Mr. THOMPSON. For Social Security, closer to 50 percent.

Mr. JENKINS. So I think you really get into a problem with direct deposit checks because there are no actual endorsements as such, so that criminal prosecutions become a very, very difficult matter. There is no problem when the check goes to an individual, and they endorse somebody's name, but when you have direct deposit, sometimes to joint payees where one person does normally endorse the check, then you get into a very difficult time with a criminal prosecution.

Mr. RANGEL. Well, as a former prosecutor, if you would assign that case to me, I would not see the problem really, because somebody is signing the check from the bank in which the Social Security check is deposited, and if the beneficiary is dead, and in my hypothetical the daughter is still drawing checks. I don't see the problem.

Mr. JENKINS. Well, I prosecuted a lot of the same cases, forged Treasury checks, so you won a lot more cases than I did.

Mr. RANGEL. I am saying that is a different crime, that you are signing a bank check that you shouldn't because the money is not supposed to be in the bank. It is deposited in the bank, and you are drawing that money.

Mr. SUNDQUIST. Will the gentleman yield? I hate to break up the discussion on the Democrat side about who prosecuted who, because it is so unusual in terms of the usual information, but that is part of my problem. We have had almost a revolution in the way

in which these checks have been deposited in terms of direct deposit, and that rather than spend more time on trying to run down those cases that may be established by forgery, I am still interested in why the system hadn't made itself—availed the use of all this new information that moves across the system for apparently everybody else but them.

Mr. RANGEL. Thank you, Mr. Chairman.

Chairman PICKLE. Thank you, Mr. Rangel. Mr. Bunning.

Mr. BUNNING. Thank you, Mr. Chairman. I would like to ask about what has been your information on the total cost to SSA for the death information that they receive?

Mr. THOMPSON. You mean how much they paid the States?

Mr. BUNNING. That is correct.

Mr. THOMPSON. About half a million dollars.

Mr. BUNNING. That is annually or over a period of time? What is that for?

Mr. THOMPSON. Annually.

Mr. BUNNING. Half a million dollars. Is there any reciprocal cost to the States for information that they receive from the Federal Government for SSI tax I.D. numbers and things like that?

Mr. THOMPSON. I don't think so. No, I don't believe there is any charges that the Federal Government levies for the information. For instance, SSA supplies information on wages or IRS information that is supplied to the States.

Mr. BUNNING. Correct. That is what I am trying to get at. In my State, for instance, the tax I.D. number is the Social Security I.D. number which goes on the State tax return. If, in fact, we made some kind of a change in the SSA law said that everybody is going to get a new SSA tax I.D. number, there could be a reciprocal selling agreement arranged.

It is absolutely astounding to me that we are being charged for death information from the States. In order to stop that, we ought to be able to work out some kind of an agreement between the States and say they are going to have to pay for any information they get from the Federal Government. Or we are going to charge them specifically that amount which we are paying for the death information. The aggravating part is that other Federal agencies must then be charged again for the same information.

Is that your testimony?

Mr. THOMPSON. That is the position—as I understand it, that is the position of those 34-odd States who have the more restrictive agreement. They would like to have each Federal agency write in and ask for a death certificate and pay $5.

Mr. BUNNING. Correct. I say the reason they are doing that is for revenue for their vital statistics programs in those States?

Mr. THOMPSON. I think that is the major reason, yes.

Mr. BUNNING. Well, the problem that I see and the problem that this subcommittee has to investigate is why we are being charged first of all. Second, if the charges are unreasonable and unwarranted, and if legislation is needed to correct it, then that is something the subcommittee might look at. The fact of the matter is that it isn't a universally accepted fact that once you hear of a death you should share it. What is the downside of releasing the fact that somebody died?

Maybe you could help me out. I am having problems with it.

Mr. THOMPSON. Well, it is usually published in the newspaper. I am just not sure what the downside is.

Mr. BUNNING. I am talking about the fraud that is committed after the fact. In other words, if somebody continues to cash a Social Security check or another Federal Government check, what is the downside of us releasing that universally to all Federal agencies, no matter what the States say?

Mr. THOMPSON. I don't see a downside to it. In the present legal environment, those State agreements are voluntary and presumably the State, if the SSA had an agreement not to release the data, violated the agreements the State could cancel the agreement.

That is in the current environment, but speaking philosophically, I agree with you. I don't see what the downside is.

Mr. BUNNING. Isn't it true that under the Internal Revenue Code and certain revenue agreements that States have access to Federal income tax returns?

Mr. THOMPSON. Surely.

Mr. BUNNING. OK. Mr. Chairman, thank you very much.

Chairman PICKLE. Thank you, Mr. Bunning.

Mr. Jacobs, chairman of our Social Security Subcommittee.

Mr. JACOBS. Well, I think our friend, Mr. Bunning, has hit the nail right on the head. My father said where he comes from, shin kickings work both ways, and it is well-known that IRS provides information to the States so that they can conduct their taxing programs.

I also like the point that Mr. Jenkins made of dual citizenship, a citizen of a State is by definition a citizen of the United States, and when one's own government tries or takes a policy that impedes the discovery of misuse of Federal tax money, that government serves its own citizens not well, and that was a question that came to my mind also: Would it necessarily have to be a situation where you charged for Federal income tax.

What about anything the Federal Government does in relation to the States? Would it be within the realm of legal propriety to consider the method of determining national speed limits, Federal highway funds if shin kicking works both ways? Do you see any legal impediments to the Congress and the Federal Government considering withholding highway funds for those States that do not cooperate with their own Federal citizens by supplying this information?

Mr. THOMPSON. Do I see an impediment? Well, I am not a lawyer, but I would think that if you wanted to have a condition some place, you would attach it to something that was sort of related, like AFDC.

Mr. JACOBS. Well, money is kind of related to money. They tell me it is fungible if the Federal Government is providing money for the highway system, instead of saying that the speed limit has to be 65 miles per hour. Some guy was stopped for going 75 miles an hour and the policeman said he was doing 75 miles an hour and the citizen said, man, I don't plan to be out that long. So everything is subject to interpretation.

Do you have any lawyers around on your staff who could look into that and see if they think there is any impediment? We usually think in terms of speed limit for highway, drunk driving laws, highway funds, and so on, but is there any reason if we are talking about cross-pollinization between Federal and State that we can't have cross-pollinization among the various Federal programs to achieve some common sense?

Mr. THOMPSON. We would be happy to look into that and get back to you.

Mr. JACOBS. By the way, I said I noticed you said for the record the States that were trying to charge twice for the same information, I think you referred to them as 34-odd States, didn't you?

Finally, Mr. Chairman, I didn't know whether anybody would be interested on this death business and continuation of the checks, looking into the reincarnation angle on it. I guess we better pass on it.

Chairman PICKLE. We are glad to have Mr. Thomas join us today. Do you wish to add any further comment, Mr. Thomas?

Mr. THOMAS. Not on the gentleman from Indiana's statement, but I have a couple of questions I want to ask GAO.

First of all, I am just absolutely astounded that a small grocer coming into my office to indicate that he didn't want to really explain about anything, but that he was getting stuck with the checks that the Treasury pursued back to the banks and the bank pursued back to the grocer. All of the millions of dollars you mentioned going out in Federal payments are cashed and put into the system. Whenever you find out that, in fact, they are not supposed to get it, somebody winds up holding the bag. That is how I got into this whole process.

I don't want to lose sight of that aspect of it because, to the degree we either clean it up or we do get better prosecutions then you don't have the small businessman winding up holding the bag. I have a real concern over that, but I do want to compliment you on this initial investigation. I am just amazed as I read the draft report. I guess it hadn't been released yet——

Mr. THOMPSON. Well, it is released now. The official printed version will be available in a couple of weeks.

Mr. THOMAS. Two things that impact me most is what we have been focusing on and that is that the States are out there highjacking the Federal Government. I agree with the Chairman. Back in 1983, when were working on that Social Security legislation, I thought we enabled SSA for the Federal Government to negotiate, not just SSA. I would sure like to know if there were any questions along the lines of how come SSA is such a lousy negotiator that it allows the States to put in these kinds of conditions. Don't they have any little bitty hammers anywhere that they can use in terms of information the States are getting from them, not after the fact, but during the negotiation proceedings?

Did you get into that at all?

Mr. THOMPSON. I didn't get into that.

Mr. THOMAS. I am going to. OK. The second thing we have been focusing on is the States and their pernicious attitude toward supplying information they would rather sell to the Federal Government and their desire to continue to sell it.

I am absolutely amazed at the report in terms of the lackadaisical or—you are going to have to give me a better word, because I don't think it is just a lackadaisical relationship between the Federal agencies in moving this information across Federal agencies.

Now, I noticed on page 2 you indicated that VA and SSA are negotiating an agreement for such an exchange. Was this negotiation prior to your inquiries and investigation or after?

Mr. THOMPSON. No, it was after.

Mr. THOMAS. So they probably wouldn't be negotiating an agreement if you hadn't asked the kinds of particular questions that you were required to ask based upon our request to you.

Mr. THOMPSON. I am afraid that is right. We had done an earlier study for Senator Cranston on VA. That is when we found out that they had this problem.

Mr. THOMAS. What kind of satisfactory answers were you getting from the Federal agencies for their failure to pick up this information lying on a desk two doors away?

Mr. THOMPSON. We didn't get satisfactory answers. I am hopeful that we have demonstrated that there is a big enough problem here that the agencies will tone up their operations, and I am pleased to say that some of the agencies that we dealt with, some of them were already getting SSA voluntary data.

They were not getting the State data. They now realized they need to get it more frequently, and they need to be more careful about it.

Mr. THOMAS. Well, I have difficulty, again, reading that somebody gets from the State semiannual reports on the death. It is processed and then semiannually it is sent out. We have already lost a whole year before it is even sent in a routine fashion. It seems to me that maybe we deal with some of the Federal money going to the States, but I would like to see a little grace period like 1 month after which any agency that writes an inaccurate payment check has to take it out of its own funds.

You would find a turnaround in terms of the responsiveness of these folks going after this sort of really criminal act on the part of the entire system for failure to make adjustments which are entirely appropriate for the Federal Government to make.

I look forward to the testimony from the other individuals as we get into this information, and hopefully some answers as to why the state of the art of informing each other about people's deaths is as shoddy as it is. Thank you very much.

Chairman PICKLE. Thank you, Mr. Thomas.

Mr. Schulze, would you want to—care to make any statement at this point?

Mr. SCHULZE. Mr. Chairman, I apologize for having to attend another meeting. I have a couple of questions. One, do you gentlemen believe that if some kind of notice were put in every 3 or 4 months along with the check, which in large type said it is illegal for anyone other than the named beneficiary to cash this check, would that be of any benefit?

Mr. THOMPSON. Well, it might be of some benefit, but I would not think it would be as effective as the kind of data matches that we have been talking about this morning.

Chairman PICKLE. Will the gentleman yield?

Mr. SCHULZE. Sure.

Chairman PICKLE. Is that being done now? Are periodic notices being put in every paycheck?

Mr. SCHULZE. I looked into that, and they are not. Some of the bureaus contact the beneficiaries when they reach a trigger age, such as 85 or 90 or at the age when the tables might show that they would be close to being deceased. At those ages some physical checks are made, perhaps by a telephone call and so forth. But to the best of my knowledge, there are no notices.

Mr. THOMAS. We were provided with the information pursuant to the gentleman from Georgia's question that up to 80 percent of SSA checks are now sent direct deposit.

Mr. THOMPSON. No, it is 50 percent.

Mr. THOMAS. Fifty percent and growing?

Mr. THOMPSON. I think it has been flat for a while.

Mr. THOMAS. So that the information would not even get to the individual on the envelope?

Mr. SCHULZE. You would only do it to those who were not direct deposit, but I understand part of the agreement with the banks is that they agree to notify the system immediately upon their knowledge of a death; isn't that correct?

Mr. THOMPSON. That's correct.

Mr. SCHULZE. The banks do have an obligation when they sign up to be a direct deposit recipient; that is part of the agreement; that notification?

Mr. THOMPSON. That's right.

Mr. SCHULZE. Thank you.

Mr. JENKINS. Would the gentleman yield to let me ask a question on that?

Mr. SCHULZE. I would be happy to yield.

Mr. JENKINS. In your investigation of however many cases—I have forgotten now—did you make a determination as to how many of these were direct deposit situations?

Mr. THOMPSON. No, I am sorry, sir, we didn't look into that.

Mr. JENKINS. It appears to me that a large percentage of them may be direct deposit cases. Simply because in that type of a situation it would normally be a joint account so that someone else also has authority to withdraw money from the account. I don't know that that is the case, but, it would appear to me that it may very well be the case. Did you make any determination as to how many of these monthly checks were payable to joint payees?

Mr. THOMPSON. We didn't look into that, although I think it would usually be a single payee rather than joint payees.

Mr. JENKINS. It is a straightforward matter to show criminal intent where someone is physically endorsing a check, but it is much more difficult to show criminal intent in the case of direct deposit checks if the person receiving the benefit has authority to withdraw funds from the account. It is extremely difficult to show criminal intent, and I was just curious as to the direct deposit ratio.

Thank you, Mr. Chairman.

Mr. SCHULZE. Perhaps part of the agreement would require banks which accept direct deposit to put a notice in their bank statements once every 6 months to any direct deposit recipient. Be-

cause the bank statements I receive contain extraneous material all the time. It seems to me that it would be no problem for them to include a little notice which would state the legality or illegality of such transactions. So perhaps that is something else we could look into.

Mr. THOMAS. Mr. Chairman, I made a statement and I want to find out if there is any factual evidence to back that up. When I said all these checks going out are being cashed by someone, did we find any evidence that it is kind of like machinery gone mad that it continues to put out a check to someone who isn't there, that isn't cashed, that is either being sent someplace where it just piles up?

Do we have any indication of the percentage of dead letter checks going out versus people getting them that would spend them in some way? I haven't heard anything along that line.

Mr. THOMPSON. I don't think I can answer that question quantitatively. I think there are cases where there is a stack of checks some place that haven't been cashed. I just can't tell you how many there are.

Mr. THOMAS. Darn few is probably the answer.

Chairman PICKLE. Mr. Thompson, I want to thank you for giving us facts. I don't think anybody on this subcommittee or anybody in this hearing room today questions the fact that literally millions of dollars are being issued by the Treasury to people who are dead, and while that could be understandable in years past, in this modern electronic day there ought to be a system established to put a stop to that.

I think as we pursue it, we have to keep in mind, as Mr. Rangel says, there are some people who think they are really entitled to the checks and it is not fraud, but after a month or two, somebody is getting the check and they know the difference, and that information ought to be passed along.

Now, you said in your summary statement, I want to quote you here.

> OMB should require the Governmentwide use of SSA's death information. To facilitate this use, Congress will need to act to enable SSA to uniformly disclose its death information to other agencies, regardless of the source of the data.

Now, that is a strong statement that may or may not be questioned by the witnesses who are going to follow. I appreciate the fact that in the second instance that you have at least said that there is a problem and we ought to do something about it, and you even give your own suggestion.

I don't know that we will follow your suggestion because the question of fraud, the question of direct deposits, and of notification to the banks. It constitutes a problem for us. But it ought not to be a problem that goes unattended. There are just no suits brought for fraud.

It is a problem. We would like to look the other way, and that is not acceptable. Certainly not if we are losing a quarter of a billion dollars a year. It is really embarrassing we don't do something about it. So it seems to me we ought to establish some kind of a system.

I am, therefore, going to ask that, at the end of this hearing, that we try to coordinate these problems. I want to thank you again for

your testimony and for the facts you have given us. They have been very helpful.

We have a panel next. We have about seven different groups we have to hear from, and we want you to all come in one panel.

Mr. Louis Enoff, Deputy Commissioner for Programs at the Social Security Administration; then the Association for Vital Records and Health Statistics, Mr. Frederick King is the president of that organization; then the U.S. Department of Veterans' Affairs, Mr. Bill Pearson, who is the Deputy Chief Benefits Director. I understand he will have a Mr. Hickman with him.

Then the Office of Personnel Management, Mr. Curtis J. Smith, who is the Associate Director for Retirement and Insurance; then the Department of Labor, Mr. Shelby Hallmark, Deputy Director of the Office of Workers Programs; then the Railroad Retirement Board, Mr. Glen Bower, the Chairman of that Board; and the U.S. Deputy of Defense, Albert V. Conte, Director, Defense, Finance and Accounting Services.

If you gentleman will all take a seat at the witness table, and will allow just a minute for your names to be identified, and then we will proceed.

We have seven different members of this panel. I am going to ask each one of you to limit your statements by way of summary to 3 minutes. Later, if you need more time, we will certainly allow you to expand.

Since we have such a large panel here, we wish you would limit yourselves. I hope you can abide by that. We will not try to deprive you of anything you want to say, but we are trying to get this information.

The first witness I will call on will be Mr. Louis Enoff, the Deputy Commissioner for Programs for the Social Security Administration. I know Mr. Enoff has been actively involved in this question at least since 1983 because Mr. Thomas and I worked with him at that time. We are pleased to have you.

We would like to have your general observations. All of you gentlemen's statements will appear in the record that you submitted to us, so that will be made a part of the record.

Mr. Enoff, we are glad to see you again.

STATEMENT OF LOUIS D. ENOFF, DEPUTY COMMISSIONER FOR PROGRAMS, SOCIAL SECURITY ADMINISTRATION, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. ENOFF. Thank you, Mr. Chairman.

Mr. Chairman, it is good to be here and to be involved in this most important subject with you all. I will submit the full statement for the record and try to summarize. Each year about 1.8 million Social Security beneficiaries and SSI beneficiary recipients die.

Approximately 90 percent of these deaths are voluntarily reported by relatives and friends of the deceased and by the involved funeral homes. The postal authorities, through returned check procedures, report approximately 4 percent, and institutions such as nursing homes report another 1 percent.

The balance, approximately 90,000 deaths annually, or 5 percent, are detected only as a result of specialized matching operations.

The major sources of death data for these matching operations are reports from the Health Care Financing Administration, our sister agency within HHS, from State bureaus of vital statistics, and from other State agencies that administer needs-tested benefit programs.

We estimate that these matches identify over $200 million in incorrect payments per year. Our annual cost of conducting these matching operations is less than $6 million. I would like to turn now to some of the questions you asked in your letter of invitation regarding our death matching operations with the State bureaus of vital statistics.

The authority under which we receive State death certificate information is section 205(r) of the Social Security Act. That section directs the Secretary of Health and Human Services to establish a program under which the States voluntarily contract with the Secretary to furnish death certificate information periodically for reasonable cost.

The Association of Vital Records and Health Statistics, whose members are the State directors of vital statistics, was extremely helpful in developing the model contract which is now in use in 48 States. The contract calls for death certificate information to be furnished to SSA by the States each month on magnetic tape.

I should note that there is, on average, a lag of several months before deaths are reported at the State level because each of the administrative levels in the States generally accumulates death records for a period of time before forwarding them to the State bureau of vital statistics.

The State office then puts the death information on magnetic tape and forwards it to us. The cost to SSA in 1991 for information from State death certificates is 21 cents per record, or about $500,000 for 2.4 million records. Only one provision of the model contract is not identical for each of the States involved, and GAO, Mr. Thompson talked about that.

In order to reach agreement with 30 of the States, it was necessary to offer an alternative provision allowing redisclosure only with the written consent of the State, and that was a part of the negotiation process that went on after the 1983 amendments.

We receive the complete listings of deaths in participating States and from these State reports we first learn of the deaths of about 17,000 beneficiaries each year. We do provide death information about Social Security and SSA beneficiaries, including State data, through our regular data exchange programs with State agencies which administer needs-tested benefit programs to aid them in making their eligibility determinations.

This release is specifically permitted by our contracts with the States and is, of course, in the States' interest. Currently, we also regularly provide the death information in our files, except information that first was provided by States, to the Office of Personnel Management, the Department of Defense, and the Railroad Retirement Board.

We also provided this information to the Department of Veterans' Affairs last September and have developed with the DVA a memorandum of understanding under which we will begin providing DVA unrestricted State data.

We are making the computer system changes we need now to provide that nonrestricted State information to the DVA. We hope to have that ready next summer. I want to stress one thing. We think it is very important to maintain the flow of death information from restricted States to SSA because of the share of Federal benefit payments that we administer.

Our experience in negotiating these contracts with the States suggests that should other Federal agencies get involved in these negotiations, the best approach would be to work through the Association of Vital Records and Health Statistics.

Once we have completed the necessary software changes to provide the death file to the DVA, we would be able to provide this information to other Federal benefit paying agencies, as the 1983 legislation provides. I would say that we would prefer not to develop separate formats for each agency, but to give the tapes to those agencies and let them do their match operations.

The other point that I think is worth stressing from our experience over the past several years in working with this is that the validation of the information is extremely important. We match the information that we receive on the basis of a Social Security number, and those numbers are often incorrectly reported.

Also, we only validate death information regarding current beneficiaries, where it has an effect on our payment process. Thus, when we provide our master death file, we want to be sure that the other agencies are aware that they should first validate the death information on that file before taking any action.

Our processes have shown us that there is a degree of inaccuracy. The GAO confirms that 5 percent of the names, Social Security numbers, et cetera, from the States is incorrect, and this is one of the dangers Mr. Thomas and some others asked about: What are the dangers of exchanging death information?

The danger that we have seen is in terminating an individual's benefit payment because of a report of death that is erroneous. That is why we do a validation of death information from matches, and we would suggest that any agency that was going to use that data validate it before it takes an action that would be detrimental to the individual involved.

I will stop there.

[The prepared statement follows:]

STATEMENT BY LOUIS D. ENOFF
DEPUTY COMMISSIONER FOR PROGRAMS
SOCIAL SECURITY ADMINISTRATION

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the Social Security Administration's (SSA) efforts to reduce the incidence of issuing benefit payments to deceased beneficiaries by gathering information concerning deaths and facilitating dissemination of this information among other Federal agencies charged with administering benefit programs.

Sources of Death Information

Each year, about 1.8 million Social Security beneficiaries and supplemental security income recipients die. SSA gathers information about these deaths from a variety of sources. Approximately 90 percent of the deaths are voluntarily reported by the deceased's relatives, friends, and by the involved funeral homes. The postal authorities, through returned check procedures, report approximately 4 percent, and institutions such as nursing homes report another 1 percent. The balance, approximately 90,000 deaths annually or 5 percent, are detected only as a result of specialized matching operations.

The major sources of death data for these matching operations are reports from the Health Care Financing Administration, from States' Bureaus of Vital Statistics, and from other State agencies that administer needs-tested benefits. We estimate these matches identify over $200 million in incorrect payments per year. SSA's annual cost of conducting these matching operations is less than $6 million.

State Death Certificates

I would like to turn now to the questions you asked regarding one of the sources of data for our death matching operation, the States' Bureaus of Vital Statistics. The authority under which SSA receives State death certificate information is Section 205(r) of the Social Security Act, which was enacted in 1983. It directs the Secretary of Health and Human Services to establish a program under which the States voluntarily contract with the Secretary to furnish death certificate information periodically for reasonable costs.

From our initial discussions with State officials, the desirability of a standard contract became evident. SSA needed the data from each State in the same format, and a standard fee per record avoided the possibility of lengthy negotiations on fees with each State. The Association of Vital Records and Health Statistics, whose members are the State directors of vital statistics, was extremely helpful in developing the model contract which is now in use with 48 States. We do not yet have a contract with two States--Virginia and Oklahoma, although Oklahoma is providing the information to us informally.

The contract calls for death certificate information to be furnished to SSA by the States each month on magnetic tape, with each tape containing information on deaths that occurred within the previous 90-day period. I should note that there is on average a lag of several months before deaths are reported to the State level. The reason for this lag is that each administrative level in the States generally accumulates death records for a period of time before forwarding them to the State Bureau of Vital Statistics. The State office then puts the death information on magnetic tape and forwards it to SSA.

The cost per death record established in the initial contract was $0.15, with a provision for annual increases in the cost per record based on the increase in the cost of living. The amount is $0.21 in 1991. Thus, the total annual cost to SSA for information from some 2.4 million State death certificates each year is about $500,000.

Only one provision of the model contract is not identical for each State--the provision concerning the redisclosure of State data to other agencies. In order to reach agreement with 30 States it was necessary to offer an alternative provision allowing redisclosure only with the written consent of the State. Eighteen States placed no restrictions on redisclosure. The restriction on redisclosure of some state death information does not place a significant burden on SSA, although we do identify the data as restricted in our records.

SSA Use of State Death Information

In regard to the completeness of the State death data, we receive the complete listing of deaths in the participating States. However, we are not able to process all of the data because of missing or incorrect Social Security numbers, name spellings that do not match our records and other problems in the identifying data. We apply a number of automated checks to try to match such cases, but about 10 percent of the State reports cannot be processed.

Of course, as I noted earlier, SSA depends primarily on voluntary reports of beneficiaries' deaths in order to stop payments. In fact, we first learn of the death of a beneficiary from State data in less than 1 percent of all beneficiary deaths. I would stress also that when we learn of a previously unreported death from a State record, we take no action until we independently verify the death information.

Sharing of State Data

Mr. Chairman, you asked that we describe what action we have taken to share the death information we have with other agencies. SSA provides all death information we have, including State data, through our regular data exchange programs with State agencies which administer needs-tested benefits to aid them in making eligibility determinations. The release of State data for this purpose is specifically permitted by our contract with the States and is, of course, in the States' interest. We also provide the death information in our files, except that first provided by States, to other Federal agencies upon request. Currently, the Office of Personnel Management, the Department of Defense, and the Railroad Retirement Board receive this information on a recurring basis.

Last year the Department of Veterans Affairs (DVA) also contacted SSA regarding the possibility of receiving the death information in SSA records, and we provided a copy of our Master Death File to DVA last September. This file contained all death information SSA has except that which came solely from the States.

Section 205(r), which authorizes our contracts with States, also allows the State death information to be shared, to the extent feasible, through a cooperative arrangement with other agencies to ensure proper payment of Federally funded benefits. We have developed with DVA a Memorandum of Understanding (MOU) under which we will provide unrestricted State data, and DVA will, in turn, provide their death information to us. The General Accounting Office study published in July 1990 supported such an exchange of death information between SSA and DVA. Under the proposed MOU we will exchange death information with DVA, at no charge to either agency.

We are now making computer systems changes needed to provide the nonrestricted State information to DVA and expect to be able to begin providing the data this summer. DVA also indicated an interest in receiving data from States which restrict us from

releasing the death data we receive from them. We suggested that DVA contact those States directly to discuss that possibility.

I should stress that we think it is very important to maintain the flow of death information from restricted States to SSA because of the large share of Federal benefit payments that we administer. Our experience in negotiating with the States for death information suggests that if other Federal agencies undertake such negotiations, the best approach would be to work through the Association of Vital Records and Health Statistics.

The Railroad Retirement Board also contacted SSA recently about receiving the death information from us. We advised them of our arrangement with DVA and said that we would be willing to discuss a similar arrangement with the Board.

Once we have completed over the next few months the necessary software changes to provide the expanded death file to the DVA, we will be able to furnish to other benefit-paying Federal agencies a file that includes both the voluntary reports of death SSA receives and the death reports from States that do not restrict redisclosure of their information. I should mention that we would prefer not to develop separate formats for each agency, because that would expend scarce SSA resources and delay the receipt of the file by other agencies. The format of that file is not a complicated one, however, and should be easily adaptable to other agencies' systems.

Conclusion

Mr. Chairman, we believe the State death match operation is working successfully and is an important final backup to voluntary reports of death of beneficiaries and our other matches. That it is successful is due in large measure to the support provided by the Association of Vital Records and Health Statistics for the process. SSA's experience in establishing and operating the death match process clearly indicates that the Federal and State levels can work together to improve the accuracy and completeness of our death information.

I would reiterate also that SSA is willing to work with other agencies to develop a way to share the death information we have with other Federal agencies using the process we have developed with DVA.

Mr. JENKINS [presiding]. Mr. King, we would be delighted to hear from you.

STATEMENT OF FREDERICK L. KING, PRESIDENT, ASSOCIATION FOR VITAL RECORDS AND HEALTH STATISTICS

Mr. KING. Mr. Chairman, members of the committee, my name is Frederick King.

I appreciate the opportunity to testify before you this morning. I am president of the Association for Vital Records and Health Statistics. The association is an affiliate of the Association of State and Territorial Health Officials. It's membership includes individuals in charge of the vital records and health statistics program in each State health department.

A majority of registration areas, 36 of 54, have laws which classify death certificates as nonpublic. Therefore, most of the contracts which the Social Security Administration has with the States prohibit redisclosure of death information. All registration areas charge a fee for copies of or verification of information from vital records so that the costs of administering the vital statistics program are borne by those benefiting from the service.

Copy fees, I am talking about certified copy fees, range from $2 to $15 with the average being $6.23 per copy. All States provide information to the SSA under a negotiated contract which presently provides for reimbursement at the rate of 21 cents per record.

This contract was negotiated through the association, and as a result each State is compensated fairly and uniformly for use of these data. In addition, States work closely with other Federal agencies such as Department of State, Federal Bureau of Investigation, the Internal Revenue Service, and the Immigration and Naturalization Service in an effort to reduce the use of vital records for fraudulent purposes.

Representatives of the associations would be pleased to meet with any Federal agency to discuss the provision of death data for purposes of reducing the payment of benefits to deceased individuals. I believe that this could be accomplished in one of two ways.

The present contracts with the Social Security Administration could be modified to allow the release of data to other specified agencies at a cost which would reflect the multiple uses of data.

This would satisfy the requirements of State laws and provide fair compensation to the States. An obvious alternative would be a separate contract with each agency. Thank you, Mr. Chairman.

Mr. JENKINS. Thank you, Mr. King.

We will now hear from Mr. Pearson.

STATEMENT OF BILL B. PEARSON, DEPUTY CHIEF BENEFITS DIRECTOR, U.S. DEPARTMENT OF VETERANS' AFFAIRS, ACCOMPANIED BY J. GARY HICKMAN, DIRECTOR OF COMPENSATION AND PENSION SERVICE

Mr. PEARSON. Mr. Chairman, members of the subcommittee, I appreciate the opportunity to appear before you this morning to discuss the effectiveness of current Federal efforts to reduce the instance of issuing benefit checks to deceased beneficiaries.

Your letter of invitation asked if we had determined the extent and causes of continued benefit payments to deceased beneficiaries. In July 1990, GAO released a report on this subject in connection with VA benefits. GAO matched VA's payment records for over 3.6 million compensation and pension cases as of April 24, 1989, with death information from the Social Security Administration as of December 1988.

They identified VA payments to 1,212 beneficiaries who had been reported dead to SSA. GAO was able to verify that in 652 cases VA payments were made to deceased beneficiaries.

I am pleased to report that VA has begun a review of information regarding deaths voluntarily reported to the SSA. The information in this record is received in the Social Security Administration from a variety of sources, is considered an informal notification of death because the fact and date of death does not necessarily come from the death certificate or another official source.

Approximately 2,000 cases were released to our regional offices in October for review. These cases were identified by the VA Office of Inspector General during the same period of time GAO was conducting its review. We have received reports on 1,168 cases in which 58 confirmed deaths were found.

Overpayments amounted to $379,645. Reports for all the cases reviewed are expected in the near future. During this review, we found that a typical fact pattern emerged when benefits continued to be paid after the death of the beneficiary. Benefits were paid by direct deposit, electronic funds transfer, rather than by check to a beneficiary with no dependents.

As a result, there was no family member who took responsibility to notify all agencies from which the deceased was receiving benefits. The financial institutions do not notify all sources from which funds were received, if indeed, the institutions were aware of the death.

We also found that benefits continued to be paid for the longest period of time in service-connected compensation cases. This is understandable since in most compensation cases a degree of disability is not expected to change and there is no need for routine contact with the beneficiary.

Recipients of non-service-connected pensions, on the other hand, receive annual eligibility verification reports. Failure to return these reports leads to discovery of the death, even though pension checks continue to be automatically deposited in a financial institution.

We are not surprised at the relatively small number of award adjustments which have resulted from the reviews to date. We find that in many cases VA was already aware of the death. VA had either terminated benefits or suspended further payments pending verification of the date of death. In other cases, the person reported as deceased was not actually the VA beneficiary. This situation resulted from inaccurate Social Security numbers or from use of the same number by different family members.

You asked what steps we have taken to remove deceased beneficiaries from the agency's benefit roles and notify other Federal agencies of the beneficiary's death. In addition to terminating payments to verified deaths among the two previous matches, VA has

received the entire Social Security voluntary death report file and is currently processing it against our payment records again. We expect that the resulting cases will be referred to the regional offices this spring. We intend to repeat this process on a periodic basis. We will also be furnishing Social Security with our death information. VA currently furnishes death information to the Office of Personnel Management on an annual basis and to the Department of Defense and Department of Transportation based on a cyclical basis.

[The prepared statement follows:]

STATEMENT OF
BILL B. PEARSON
DEPUTY CHIEF BENEFITS DIRECTOR
DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
FEBRUARY 6, 1991

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before you this morning to discuss the effectiveness of current Federal efforts to reduce the incidence of issuing benefit checks to deceased beneficiaries.

Your letter of invitation asked if we have determined the extent and causes of continued benefit payments to deceased beneficiaries. In July 1990, the General Accounting Office (GAO) released a report on this subject in connection with VA benefits. GAO matched VA's payment records for over 3.6 million compensation and pension cases as of April 24, 1989, with death information from the Social Security Administration (SSA) as of December 1988. They identified VA payments to 1,212 beneficiaries who had been reported dead to SSA. GAO was able to verify that in 652 cases VA payments were made to deceased beneficiaries.

I am pleased to report that VA has begun a review of information regarding deaths voluntarily reported to the Social Security Administration (SSA). The information in this record is received in SSA from a variety of sources and is considered an informal notification of death because the fact and date of

death does not necessarily come from a death certificate or other official source. Approximately 2,000 cases were released to our regional offices in October for review. These cases were identified by the VA's Office of Inspector General during the same period of time GAO was conducting its review. We have received reports on 1,168 cases in which 58 confirmed deaths were found. Overpayments amounted to $379,645. Reports for all of the cases reviewed are expected in the near future.

During this review we found that a typical fact pattern emerged when benefits continued to be paid after the death of the beneficiary. Benefits were paid by Direct Deposit/Electronic Funds Transfer, rather than by check, to a beneficiary with no dependents. As a result there was no family member who took responsibility to notify all agencies from which the deceased was receiving benefits. The financial institutions did not notify all sources from which funds were being received, if indeed the institutions were aware of the death. We also found that benefits continued to be paid for the longest period after death in service-connected compensation cases. This is understandable since in most compensation cases the degree of disability is not expected to change and there is no need for routine contact with the beneficiary. Recipients of nonservice-connected pension, on the other hand, receive annual eligibility verification reports. Failure to return the verification form leads to discovery of the death, even though pension checks continued to be automatically deposited in a financial institution.

We are not surprised at the relatively small number of award adjustments which have resulted from the reviews to date. We find that in many cases VA was already aware of the death. VA had either terminated benefits or suspended further payments pending verification of the date of death. In other cases the person reported as deceased was not actually the VA beneficiary. This situation results from inaccurate social security number information or from the use of the same number by different family members.

You asked what steps have been taken to remove deceased beneficiaries from the agency's benefit rolls and notify other Federal agencies of the beneficiary's death. In addition to terminating payments to verified deaths among the two previous matches, VA has received the entire SSA voluntary death report file and is currently processing it against our payment records again. We expect that the resulting cases will be referred to the regional offices this Spring. We intend to repeat this process on a periodic basis. VA will also be furnishing SSA with our own death information. VA currently furnishes death information to the Office of Personnel Management on an annual basis, and to Department of Defense and Department of Transportation on a cyclical basis.

The third question in your invitation letter concerned the use we make of death information records compiled by SSA and the difficulties we have encountered in using the records. Although we already have access to death information informally or voluntarily submitted to SSA, we are concurrently pursuing access to another death notice file which SSA maintains. These notices are received from the state registrars of vital statistics and thus provide information from an official source, unlike the data in the voluntary report file. Unfortunately 34 states restrict further release of the death information without the state's written permission. We contacted all of the states to secure their consent. Of those who responded, all but one refused to grant VA access. Some states indicated that they will cancel the program if information is released to VA. We are currently reviewing the language of the recently enacted budget reconciliation act to determine if it provides authorization for release of state death information to VA. In the meantime we have asked SSA to separate the records from states which permit release from those which do not.

A key to any matching program is proper identification. Under the 1990 budget reconciliation act, VA was finally given the authority to require compensation claimants or beneficiaries to submit social security numbers for themselves and their dependents. We now have the authority to deny the application or terminate benefits of those who fail to furnish social security numbers. As a result, for the first time since computer matching has been feasible, VA can ensure that the necessary matching data are available.

VA will solicit social security numbers from all beneficiaries and dependents where VA does not currently have such number. Letters should be released in the near future. In March we will also be verifying all the identifying information which we currently have (number, date of birth, name) through SSA's enumeration program. This verification process will assure the success of not only the exchange of death data, but all other matches which VA conducts based on social security numbers.

I do not wish to leave you with the impression that computer matching programs are our only method of securing information regarding the deaths of beneficiaries. We receive notices of death from a variety of sources including telephone calls from relatives, notices of deaths occurring in VA medical centers and in connection with claims for burial and death benefits. However, while we do not wish to understate the amount of effort which must be expended to implement computerized death data matching, we do find such matches to be very worthwhile. They are cost-effective program management tools which enable us to maintain the integrity of our benefit programs with minimal inconvenience to our beneficiaries.

Mr. Chairman, this concludes my formal testimony. I will be happy to answer any questions you or the other members of the subcommittee may have.

Mr. JENKINS. Thank you, Mr. Pearson.

We are just taking summaries at this point because there will be questions on your entire statements after the entire panel has concluded..

Mr. Smith.

STATEMENT OF CURTIS J. SMITH, ASSOCIATE DIRECTOR FOR RETIREMENT AND INSURANCE, OFFICE OF PERSONNEL MANAGEMENT (OPM), ON BEHALF OF HON. CONSTANCE BERRY NEWMAN, DIRECTOR, OPM

Mr. SMITH. Yes, sir, thank you.

We send checks to a little over 2 million people each month, mostly retirees, but about 600,000 of them are survivor annuitants. In 1990 approximately 100,00 of these people passed away. About 98 percent of our notifications of death come from two primary sources, phone calls and correspondence from family members, and second, the Treasury Department, when they return checks to us and explain to us that the recipient has passed away.

The remaining 2 percent we discovered through our computer matching programs. We have been doing this with Social Security since the early 1980s. We run reciprocal matches with the Departments of Defense and Veterans' Affairs.

We, too, as Social Security emphasized, are very careful to confirm that these reports are accurate before we stop paying people, because we don't want to erroneously withhold benefits. The 1990 computer matches identified over 1,100 deaths with an annual value in payments of $8.7 million.

We have discovered through GAOs work with us around this report that there is death information that we have not been receiving, and that is the information which comes from the States. We are seriously interested in access to that additional information. We don't have it now, though Social Security has agreed to share with us death information from the States that will permit it. It clearly has a payoff.

We also have moved recently to increase the frequency of our matches from a semiannual basis to a quarterly basis, hoping to make these discoveries more timely and reduce the size of the overpayments.

In short, the computer matching has been good for us, and we are anxious to make it better.

[The prepared statement follows:]

STATEMENT OF
HONORABLE CONSTANCE BERRY NEWMAN
DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT

before the

SUBCOMMITTEE ON OVERSIGHT
COMMITTEE ON WAY AND MEANS
U.S. HOUSE OF REPRESENTATIVES

on

REDUCING THE INCIDENCE OF ISSUING BENEFIT CHECKS
TO DECEASED BENEFICIARIES

February 6, 1991

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

THANK YOU FOR INVITING ME TO APPEAR THIS MORNING TO DISCUSS THE EFFORTS ON THE PART OF THE OFFICE OF PERSONNEL MANAGEMENT (OPM) TO MINIMIZE THE ERRONEOUS PAYMENT OF RETIREMENT BENEFITS TO DECEASED BENEFICIARIES. THE SUBCOMMITTEE HAS EXPRESSED INTEREST IN A NUMBER OF PARTICULAR AREAS AND I WILL ENDEAVOR TO ADDRESS EACH OF THOSE AREAS.

OPM CURRENTLY SENDS ANNUITY CHECKS TO MORE THAN 2.1 MILLION RECIPIENTS EACH MONTH--APPROXIMATELY 1.5 MILLION RETIREES AND AN ADDITIONAL 600,000 SURVIVOR ANNUITANTS. APPROXIMATELY 65,000 RETIREES AND 35,000 SURVIVOR ANNUITANTS DIED IN FY 1990. THE QUESTION HAS BEEN RAISED AS TO THE EXTENT AND CAUSES FOR CONTINUING BENEFIT PAYMENTS TO DECEASED BENEFICIARIES. OUR STUDIES IN THIS AREA INDICATE THAT THE RATE OF INCIDENCE IS SMALL AND IS PRIMARILY ATTRIBUTED TO THE FACT THAT WE SIMPLY DO NOT ALWAYS RECEIVE A TIMELY NOTICE OF THE BENEFICIARY'S DEATH.

THE MAJORITY OF THE DEATH NOTIFICATIONS OPM RECEIVES COME FROM TWO PRIMARY SOURCES: (1) PHONE CALLS AND CORRESPONDENCE FROM SURVIVORS, AND (2) THE TREASURY DEPARTMENT, WHEN CHECKS ARE RETURNED. UPON INITIAL ADJUDICATION OF EVERY ANNUITY CLAIM, WE MAIL AN INFORMATIONAL PAMPHLET TO EACH NEW ANNUITANT. COMPLETE INSTRUCTIONS FOR REPORTING THE DEATH OF THE ANNUITANT ARE PROVIDED IN THE PAMPHLET, WHICH ALSO ADVISES THE ANNUITANT TO KEEP THE INFORMATION FILED WITH HIS OR HER OTHER IMPORTANT PAPERS, SO THAT FAMILY MEMBERS WILL HAVE INSTRUCTIONS ON HOW TO CONTACT US WHEN THE BENEFICIARY DIES. REPORTS OF DEATH MOST OFTEN COME INTO OUR RETIREMENT INFORMATION OFFICE, WHICH IS STAFFED TO HANDLE THESE AND OTHER ANNUITANT INQUIRIES. WE ALSO OPERATE A SELF-SERVICE (AUTOMATED) TELEPHONE INQUIRY SYSTEM WHICH IS AVAILABLE 24 HOURS EVERY DAY TO PROVIDE, AMONG OTHER THINGS, AN EASY MEANS FOR INDIVIDUALS TO REPORT THE DEATH OF AN ANNUITANT.

THE TREASURY DEPARTMENT, OUR SECOND PRIME SOURCE OF NOTIFICATION OF DEATH, NOTIFIES US AND AUTOMATICALLY RECREDITS UNNEGOTIATED ANNUITY PAYMENTS RETURNED TO THEM THROUGH THE MAIL AND FROM FINANCIAL INSTITUTIONS THROUGH ELECTRONIC FUNDS TRANSFER (EFT) WHEN A BENEFICIARY DIES.

THESE TWO SOURCES ACCOUNT FOR ABOUT 98% OF THE APPROXIMATELY 100,000 ANNUITANT ACCOUNTS DROPPED FOR DEATH IN FY 1990. THE REMAINDER WERE REPORTED THROUGH OUR COMPUTER MATCHING PROGRAMS AND PERIODIC SURVEYS.

A NUMBER OF COMPUTER MATCHES ARE CURRENTLY USED TO IDENTIFY POSSIBLE UNREPORTED DEATHS OF OUR ANNUITANTS. SINCE 1981 WE HAVE PERFORMED A MATCH WITH THE SOCIAL SECURITY ADMINISTRATION'S (SSA'S) DEATH MASTER FILE UTILIZING VERY SPECIFIC CRITERIA FOR WHAT WE CONSIDERED TO BE A VALID MATCH. WE ALSO RUN RECIPROCAL MATCHES WITH THE DEPARTMENTS OF DEFENSE AND VETERANS AFFAIRS. WE RECEIVE AND PROVIDE PAYMENT TAPES OF ACCOUNTS THAT HAVE BEEN DROPPED FOR DEATH SINCE THE LAST MATCH. THE TAPES WE RECEIVE ARE

RUN AGAINST OUR ACTIVE FILES AND GENERATE A LIST OF MATCHES. OF COURSE, WE VERIFY THE VALIDITY OF MATCHES BEFORE PAYMENTS ARE STOPPED TO ENSURE THAT PAYMENTS ARE NOT DISCONTINUED DUE TO ERRORS IN THE DATA PROVIDED TO US. IN FY 1990 COMPUTER MATCHES IDENTIFIED 1,156 DEATHS, THEREBY AVOIDING ERRONEOUS ANNUAL PAYMENTS FROM THE RETIREMENT PROGRAM OF $8.7 MILLION.

THE CORNERSTONE OF OUR MATCHING PROGRAM IS THE RECORDS COMPILED BY SSA. SSA HAS BEEN ESPECIALLY COOPERATIVE WITH OPM IN OUR MATCHING EFFORTS, AND THEY HAVE FURNISHED US THE DATA WE HAVE REQUESTED. WE HAVE ALSO DISCOVERED THAT WE CAN FURTHER IMPROVE OUR EFFORTS IN THIS AREA BY OBTAINING ACCESS TO OTHER DATA SOURCES THROUGH SSA.

WE HAVE ASKED SSA, AND THEY HAVE AGREED, TO INCLUDE WITH THE REPORTS OF DEATH WE NOW RECEIVE, DEATH INFORMATION SSA PURCHASES FROM THE 19 STATES WHICH DO NOT RESTRICT SSA FROM FURTHER RELEASING THIS INFORMATION. STATE RECORDS OF DEATH ARE BASED ON DEATH CERTIFICATES AND ARE HIGHLY ACCURATE. IT IS MY UNDERSTANDING THAT A NUMBER (34) OF ADDITIONAL STATES (AND TERRITORIES) RESTRICT THE FURTHER RELEASE OF INFORMATION ON DEATHS OCCURRING WITHIN THEIR BOUNDARIES. WE ARE CURRENTLY EXPLORING WITH SSA WAYS OF GAINING ACCESS TO THESE ADDITIONAL STATE RECORDS FOR MATCHING PURPOSES.

AS I NOTED EARLIER, THE INSTANCES OF OPM CONTINUING TO AUTHORIZE BENEFIT PAYMENTS AFTER THE DEATH OF THE BENEFICIARY ARE RELATIVELY FEW AND THEY STEM PRIMARILY FROM A LACK OF NOTIFICATION TO OPM THAT THE BENEFICIARY HAS DIED. HOWEVER, WE CONTINUE TO TRY TO BUILD UPON THE STRENGTHS OF THE SYSTEMS WE HAVE. WE HAVE MOVED FROM GETTING THE SSA FILE ON A SEMI-ANNUAL BASIS TO A QUARTERLY BASIS. WHILE THIS WILL NOT INCREASE THE NUMBER OF DEATHS REPORTED, IT WILL MAKE THE REPORTS MORE TIMELY, THUS REDUCING THE SIZE OF ANY OVERPAYMENTS. WE WILL ALSO BEGIN RECEIVING SSA'S ANNUAL CONSOLIDATED FILE FOR THE FIRST TIME WITH THE CALENDAR YEAR 1990 CONSOLIDATION. THIS FILE REFLECTS THE DELETION OF INDIVIDUALS WHO HAD BEEN REPORTED EARLIER, AND ERRONEOUSLY, AS DECEASED. THIS WILL REDUCE THE AMOUNT OF EFFORT NEEDED TO CONFIRM SSA'S DEATH INFORMATION. WE ARE ALSO CONSIDERING SEEKING LEGISLATIVE AUTHORITY TO GAIN ACCESS TO CURRENT ADDRESSES HELD BY FINANCIAL INSTITUTIONS. THIS WILL IMPROVE OUR ABILITY TO TRACE BENEFICIARIES TO ASCERTAIN WHETHER THEY ARE STILL LIVING.

I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MIGHT HAVE TODAY ABOUT OUR EFFORTS IN THIS AREA.

Mr. JENKINS. Thank you very much, Mr. Smith.

Our next witness is Mr. Hallmark from the Department of Labor.

STATEMENT OF SHELBY HALLMARK, DEPUTY DIRECTOR, OFFICE OF WORKERS' COMPENSATION PROGRAMS, EMPLOYMENT STANDARDS ADMINISTRATION, U.S. DEPARTMENT OF LABOR

Mr. HALLMARK. Thank you, very much. I appreciate the opportunity to be here this morning.

I think our story in the Department of Labor is essentially the same as you have heard from other agencies, although we are smaller. Actually the best figure we have for impact of this kind of a problem in our workers' compensation programs is the cross-match that GAO recently did, although it does correspond to some other studies that were conducted by our internal inspector general.

Basically, we think that the findings for our two workers' compensation programs, the Federal employees compensation program and black lung, are very positive. Perhaps this population is a little different than the rest of the population as a whole. We found, or rather GAO's cross-match found, only a total of about 130 cases of potential hits.

GAO gave us 21 of those cases to review. Of those 21 cases, we were already aware of and taking action on all but two. We find that to be both an indication that the error rate in terms of payments to deceased employees is very small, and that our systems for determining what is going on do appear to work fairly well.

I should point out a number of the cases were false hits. That is, the Social Security numbers supplied to us were incorrect, and when we verified the information, we found that our beneficiary was, in fact, living or that another member of the family was receiving appropriate benefits under that Social Security number, which apparently is a not uncommon occurrence.

The total amount of money involved in the cases that were referred to us by GAO was rather small in our programs: $43,000 in the FEC program; a similar number in black lung. All but $2,500 of the FEC overpayments have already been recouped. All but about $18,000 or less have been recouped in black lung.

We expect to get the rest of that money back, so for our particular programs, this problem hadn't risen to the level of concern that perhaps it has for the larger agencies such as VA and OPM.

We do have, as I believe the gentleman from VA indicated to you, an annual certification process which supplements the process of voluntary reporting by ensuring that there is a contact every year that is clearly identified as being a formal certification of the status of the recipient. We found that a number of the cases that were reported to us by GAO were, in fact, identified through the nonreceipt of that annual certification report. So that system seems to be working very well.

It does not work, obviously, if the individuals falsify those reports. The only two cases in the sample that we did not have previ-

ous knowledge of were cases where the annual certification reports were apparently falsified for several years.

We have statements on those forms that indicate it is a Federal crime to falsify them, and prosecution can be and has been pursued. I can't tell you the exact status of those cases, but I do know that they both were referred to our internal inspector general, and so we do have a process of addressing that.

Turning to your last question, what are we doing about cross-matching with the Social Security Administration, I think given the size of our program and the results I just reflected for you, we had looked at this as not necessarily cost effective for us.

Obviously, as this subcommittee continues its investigation and now that we have the GAO report in writing, we will be ready to reassess that. If a system that has more complete and accurate information from Social Security becomes available, I think that surely the Department of Labor and OWCP will be glad to participate in a Governmentwide process. Thank you.

[The prepared statement follows:]

Statement of
Shelby Hallmark, Deputy Director
Office of Workers' Compensation Programs
Employment Standards Administration
United States Department of Labor
before the
Subcommittee on Oversight
Committee on Ways and Means
United States House of Representatives

February 6, 1991

Mr. Chairman and Members of the Subcommittee:

I appreciate this opportunity to tell you about the work of the Employment Standards Administration's Office of Workers' Compensation Programs, or OWCP, in administering the three Federal workers' compensation programs. I will testify in particular about our efforts to prevent the erroneous payment of those benefits to deceased beneficiaries

Although I understand that you are most concerned with the erroneous payment of benefits and how such occurrences can best be minimized, I first will provide general information about OWCP that will, I believe, illustrate OWCP's practices and procedures. I then will turn to the specific issue of erroneous payment of benefits to deceased beneficiaries, and will address the three areas of particular interest to the Subcommittee: (1) the extent in OWCP programs of erroneous payments to deceased beneficiaries; (2) the systems in place for preventing those payments and for detecting errors; and (3) the use of the Social Security Administration death rolls in detecting such erroneous payments

OWCP administers three workers' compensation programs. Each mitigates, through the provision of cash benefits, medical treatment, vocational rehabilitation and other benefits, the financial burden on certain workers, their dependents or survivors, resulting from work-related injury or disease. The Federal Employees' Compensation Act (FECA) program principally covers Federal employees. The Black Lung Benefits program provides protection to the nation's coal miners suffering from pneumoconiosis. The Longshore and Harbor Workers' Compensation Act (Longshore or LHWCA) provides protection similar to the FECA to private-sector workers engaged in certain maritime and related employment.

While each program is distinct, there is a common objective to all three: to ensure that the interests of eligible workers, employers and the Federal government are properly protected throughout all stages of the claims management process. Each OWCP program strives for prompt processing of incoming claims and pending workloads, while maintaining a high degree of accuracy, fiscal integrity and constituent service.

In the rest of this discussion, I will emphasize the FECA and Black Lung programs, because they were the subject of the General Accounting Office's (or GAO) audits of erroneous payments.

The Federal Employees' Compensation Act

Let me start with the Federal Employees' Compensation Act, or FECA, which is the oldest of OWCP'S three programs. This year marks the seventy-fifth anniversary of the FECA, which covers more than three million civilian employees of the United States in seventy-seven government agencies, and certain other employees, when they are injured on the job.

In a nutshell, the benefits available under the FECA include all of an employee's medical expenses resulting from a work injury or occupational illness as well as wage-loss benefits for as long as the disability continues. Compensation for the wage loss is paid at two-thirds of the worker's salary if there are no dependents, or three-fourths if there is one or more dependents. Death benefits available to the survivors of employees killed at work provide at least 50 percent of the salary to the surviving spouse, and up to 75 percent if there are two or more dependant children. Other benefits include schedule awards, which are payments for permanent loss, or loss of use, of a part of the body, such as a leg or eye.

The benefits are paid from the Employees' Compensation Fund, which is administered by OWCP and is replenished through a chargeback to the agencies. The appropriated fund agencies include their workers' compensation costs in their annual budget requests to Congress. The Department of Labor's appropriation covers pre-1966 injuries (before there was a chargeback system) as well as its own employee costs.

About 180,000 injury and illness reports are filed each year under FECA. In Fiscal Year (FY) 1990, FECA benefits totalled nearly $1.5 billion, of which $336 million were medical costs and around $1.1 billion were for wage-loss benefits and death benefits.

Compensation payments may be made from the periodic compensation roll -- an automated system which generates monthly payments to beneficiaries whose disability is expected to continue beyond 90 days -- or payments may be made on an ad hoc basis for discrete periods. Also, payments are made to those receiving survivors benefits, and those receiving schedule awards. I will come back to these numbers later when I discuss the General Accounting Office's findings on the payment of benefits to deceased beneficiaries.

The Black Lung Benefits Act

The second program administered by OWCP is the Black Lung Benefits Act. Unlike FECA, which is a general workers' compensation law covering virtually any work-related injury, the Black Lung Act covers a specific condition resulting from coal mining: pneumoconiosis, or black lung disease. This program was originally administered by the Social Security Administration (SSA) under Part B of the initial law, the Mine Safety and Health Act of 1969. SSA is still responsible for processing and paying these "Part B" claims, although OWCP pays the medical benefits. DOL assumed responsibility for processing and paying claims filed after July 1973.

The Black Lung Benefits Act provides Black Lung disease-related medical costs and compensation benefits, which now are 37 and 1/2 percent of the monthly pay rate for Federal employees in grade GS-2, step 1, as augmented for dependents. In 1989, these ranged from $358.90 per month for a miner or widow with no dependents, to $717.80 per month to a primary beneficiary with three or more dependents. The average payment was about $437 per month. Although Part B claims are paid from Federal general revenues, Part C claims are paid by the coal industry. Where a miner's employment is terminated after 1969, claims are paid directly by the miner's employer or its insurance company. Other claims, where no employer can be assigned liability, are paid from the Black Lung Disability Trust Fund, maintained in the U.S. Treasury (which is funded from an earmarked excise tax on coal).

In Fiscal Year 1989, the year for which the GAO conducted its study, there were approximately 83,700 beneficiaries for whom monthly disability and survivors' benefit checks were issued from the Black Lung Disability Trust fund. These compensation benefits total $434,941,000.

The Black Lung claims are administered differently than those under the FECA, but the administration's goals of prompt adjudication and accurate payment are similar.

The Longshore and Harbor Workers' Compensation Act

The third program administered by OWCP is the Longshore and Harbor Workers' Compensation Act (LHWCA or Longshore Act). This law, which was passed by Congress in 1926, covers those working in the shipbuilding and other maritime industries, and those who load and unload vessels. The types of coverage and benefits paid are similar to those under the FECA, but for the most part they are paid directly by the employers or their insurance carriers. OWCP does make payments out of the Longshore Special Fund, which provides payments principally in second injury awards or where there is no responsible carrier or employer. The Special Fund is funded by an annual assessment against employers and carriers in the industry and is not considered a federal appropriation. The GAO did not include the Longshore program in its study and for this reason, and because the bulk of payments made under this program are not made by DOL, I will not discuss this program's experience or activities further. I note, however, that similar reporting and auditing procedures are in effect in the Longshore as in the FECA and Black Lung Programs.

Let me now turn to the specific issue before the Subcommittee today, that of erroneous payment of benefits to deceased beneficiaries.

I understand that the GAO first approached OWCP in 1989, regarding this Subcommittee's requested study of federal agency death notification procedures. Both the FEC and Black Lung divisions of OWCP were asked to assist the GAO in conducting a computer match of their compensation rolls against SSA's master death files. The results GAO shared with OWCP are, I believe, outstanding. The study showed that very few erroneous payments could be identified in either FECA or Black Lung; that the dollar amount involved in this handful of erroneous payments was minimal; and that virtually all had been identified as overpayments and were being pursued prior to their identification by GAO. In short, although some erroneous payments were identified, they were minor in comparison with our overall operations.

Let me detail the findings, for I believe the Subcommittee will agree with me that the study did not reveal a widespread problem in OWCP.

The GAO inquiry in the FEC program was based on the use of Automated Compensation Payment System (ACPS) history file for the period January 1, 1988 to September 23, 1989. Our figures are usually based on fiscal years, so the number of persons to whom payments were made during the twenty-one month period selected for use by GAO cannot precisely be determined. We know, however, that in Fiscal Year 1989 compensation payments were made to approximately 78,000 individuals, including payments of compensation for discrete time periods, as well as payments from the periodic (monthly) rolls for wage-loss compensation, for survivor benefits and for schedule awards. The number of people receiving payments during the GAO study period therefore exceeded 78,000 (by an unknown amount). We can furthermore estimate that the approximate amount of compensation payments made during this twenty-one month period used by the GAO would have been around $1.9 billion.

I understand that GAO matched the ACPS payment data against the SSA death master file, using social security numbers. GAO reported to OWCP that the match revealed 83 potential "hits". The GAO then provided us with the identifiers on a sample of 11 of these 83, and asked us to check the files to verify the sample. OWCP found that, of the eleven sample hits referred to us by GAO, only four (or 36%) involved actual erroneous payments, and in two of these the checks had been returned uncashed so there was no overpayment. Of the remaining seven cases, four involved erroneous employee social security numbers resulting in a false match; two involved proper payment of survivor benefits to children of the deceased employees; and one involved a one-time payment properly made to the heir for past payments owed the deceased employee. In the two cases involving overpayments, OWCP was already actively pursuing overpayment actions to recoup the money, which amounted in one case to $1,304.24 (which had already been repaid by the time of the inquiry), and $29,350.05 in the other case, which was still outstanding pending Department of Treasury action against the bank to which the checks were sent.

Although the GAO did not provide OWCP with written findings, the results of the sample suggest that only about 36% of the 83 (or about 30) hits were actually errors. This represents less than four one-hundreths of a percent of the more than 78,000 individuals who received payments. The amount of money actually overpaid is a small proportion of the total dollars paid out. Of the four cases in which erroneous payments were made, a total of $30,650 in overpayments resulted, or about $7,660 per case. Multiplying this by thirty (the expected number of the 83 hits which would be actual errors) the amount for all overpayments resulting from these errors would be $229,900. This represents one one-hundredth of a percent of the $1.9 billion of benefits paid for this period. Because the deaths had already been discovered and actions taken to recover these overpayments prior to the GAO cross-match, we believe these figures show that the FECA program does not experience any real problem in this area.

The results of the match in Black Lung were also positive. The approximately 83,000 recipients of monthly payments under the Black Lung automated system in September 1989 were matched against the SSA death rolls. GAO identified ten "hits", and asked OWCP to verify them. Of these ten, three were errors and the miners were still alive. The other seven payments actually involved erroneous payments resulting in overpayments; however, OWCP had already discovered and begun recovery of the overpayment by the time of the GAO match. Although the dollar amounts of the overpayments are not available at this time, the seven hits represent eight one-thousandths of a percent of all beneficiary payments issued for that period, and as in FECA, the results of the GAO match do not indicate a serious problem in this area in the Black Lung program.

In evaluating the results of the Black Lung match, it should be noted, moreover, that in several of these cases, the individual who cashed the checks of the deceased miner was a spouse or child who was in fact entitled to survivor benefits (generally two-thirds of the miner's benefits) and the resulting partial overpayment is being recouped by offset against the subsequent entitlement. I also note that much of that money has already been recovered and efforts continue to collect the remainder. In addition, OWCP has referred two cases to the Inspector General for criminal action.

Let me now turn to the specific questions the Subcommittee requested me to address in its invitation. The first asks to what extent are there continued benefit payments to deceased beneficiaries, and what are the causes of those erroneous payments? I believe the results of the GAO study which I have already related answer the first part of this question. The

results of those matches clearly indicate that payments to deceased beneficiaries are very limited.

We understand, of course, that there may be additional errors which even the GAO matches might not have revealed. And while OWCP strives to ensure that all its payments are made correctly, the GAO study did show that errors were made, even though very few. But in programs the size and scope of the FECA and the Black Lung, some errors are almost inevitable. And I would like to point out that the GAO findings simply confirm a DOL Office of Inspector General study of the Black Lung program conducted in February 1988. That study found that over a five-year period from 1982 through 1986, matching Black Lung's benefit files against Pennsylvania's mortality files found only eight cases out of 34,000 beneficiaries where payments continued more than three months after date of death of the beneficiary, which had not already been identified by the program.

Even in the few errors that did occur, the cause was usually failure to notify OWCP of the death of the individual in a timely manner. In some cases, although payments continued, the checks were never cashed but were returned and the notice given. In only two of the ten hits in Black Lung (and none of the eleven FECA hits) was there an indication of actual fraud. In only one Black Lung case did OWCP fail to terminate benefits after receiving notice of death. Thus, it appears that the principal cause of the few errors that were made was simply failure to timely notify OWCP of the death.

The second question asked is what steps OWCP takes to remove deceased beneficiaries from the rolls, and to notify other Federal agencies of the beneficiary's death. Notice is often received by telephone from survivors or sometimes via the Treasury following return by the Postal Service of uncashed checks. The programs, of course, make every effort to terminate benefits as promptly as possible after receiving notification of the claimant's death, and the low incidence of erroneous payments illustrated by the GAO and the study speaks well, I think, of the integrity of the individuals and their families who receive OWCP benefits.

Once notice of death has been received, the next-of-kin or administrator of the estate of the deceased is contacted and requested to return any uncashed checks and efforts are made to recover any remaining amounts from the estate.

There are, of course, cases where notice is not given for one reason or another. Even here, however, OWCP has in place an effective system to minimize erroneous payments. In both FECA and Black Lung, each claimant receiving benefits from the automated compensation rolls is required, on at least an annual basis, to sign and return a report verifying certain information. For FECA, the form is known as the 1032; in Black Lung this is called the 929 form. If the form is not returned within thirty days of the due date, a second notice is sent out reminding that benefits will be automatically suspended if the form is not returned within thirty days. At the end of 60 days, benefits are suspended in the FECA program. In the Black Lung program two additional steps require an additional sixty days for the suspension to take place. I note that while the Longshore program was not a subject of the GAO study, it has similar reporting requirements.

In addition to these procedures, the Black Lung program also conducts, twice a year, a computer match of its rolls against the Social Security Administration's Part B beneficiary population. This has proven to be an effective method of identifying erroneous medical payments by DOL to any deceased individuals whose compensation benefits are paid by SSA. FECA, too has

conducted matches with SSA rolls, although it does not do so on a regular basis.

OWCP does not, outside of these computer matches, notify other agencies of the death of our beneficiaries. To my knowledge this possibility had not been suggested to us prior to the present inquiry. Naturally we will be glad to cooperate with the Subcommittee and with other interested agencies in assessing the value of such information sharing and pursuing it as appropriate.

The third question concerns OWCP's use of the SSA death information records. OWCP does not use those records, and feels that the effort and expense associated with so doing would not be warranted, given the level of risk and the effectiveness of existing efforts to prevent erroneous payments. Moreover, we have been informed by SSA that it does not guarantee the reliability of the information contained on those rolls, which seems to be verified by the number of raw hits in which the claimant was actually still alive. Moreover, the data in that system is updated on a quarterly basis, and I understand that SSA cannot promise that these updates will in fact be made timely. Since OWCP imposes yearly reporting requirements which very effectively pinpoint any cases where benefits are paid improperly, it is unlikely that any benefit of using the SSA system would be worth the expense and effort, especially in light of the very low error rate highlighted by the GAO match.

I appreciate this opportunity to tell you about OWCP and especially to share with you what we believe is "good news" about its administration of the FECA and Black Lung programs. I will be happy to answer any questions you may have.

Mr. JENKINS. Thank you, Mr. Hallmark.
Our next witness is Mr. Bower.

STATEMENT OF GLEN L. BOWER, CHAIRMAN, U.S. RAILROAD RETIREMENT BOARD

Mr. BOWER. Thank you, Mr. Chairman.

My name is Glen Bower. I have been Chairman of the Railroad Retirement Board since last April. The other members of the Board include Mr. Charles J. Chamberlain and Andrew Reardon. I have submitted a statement for the record, which I would like to now summarize.

In fiscal year 1990 the Railroad Retirement Board paid $7.2 billion in benefits under the railroad retirement program to the almost 900,000 current beneficiaries. The basic sources of information on death are from family and friends of the decedent.

The Railroad Retirement Board's experience indicates that in most cases the required reports are made timely and benefit payments stop before any erroneous payments occur. Each month, on an average, the Board terminates payments for 4,300 beneficiaries who have died.

The electronic funds transfer program offers many advantages in terms of timeliness, safety, and cost effective delivery of Federal benefits. However, the EFT program, as has been pointed out by other witnesses, has side effects which appear to be contributing to unreported death problems.

The agency has a strong and continuing commitment to program integrity in this area, and we have undertaken a combination of initiatives designed to protect the trust funds.

Cornerstone of the agency's efforts is centered on two computer matching programs, one with the Health Care Financing Administration and one with the Social Security Administration. In addition to the tape matches, we have recently expanded efforts to monitor the continuing eligibility of beneficiaries who are 90 years of age or older.

During the third quarter of fiscal 1990, the Railroad Retirement Board implemented another ongoing monthly program to identify annuitants whose checks have not been cashed after 6 months, with followup investigations to determine whether the annuitants are alive and capable of handling their own affairs.

The Board rigorously tracks down the whereabouts and reviews the continuing entitlements of those beneficiaries whose notices cannot be delivered by the Postal Service.

The Board and the Social Security Administration have an extremely close working relationship on the exchange of data for some 400,000 beneficiaries who are entitled to separate railroad retirement and title II Social Security benefits.

Social Security death reports of beneficiaries are transmitted electronically on a daily basis to the Board. Discussions are currently underway between the Board and SSA to give the Board direct access to State death records obtained by the Social Security Administration.

The Railroad Retirement Board stands ready to work with the subcommittee, the U.S. General Accounting Office, the Social Secu-

rity Administration and other Federal and State agencies to find ways to improve upon current operations. I feel this should include finding a way to give all Federal benefit programs access to complete and current nationwide death information.

In answer to a question that was asked earlier, the Railroad Retirement Board has several hundred cases of benefit fraud under investigation, and based upon the outcomes of those, have or will be referred to the Department of Justice for appropriate action.

[The prepared statement follows:]

STATEMENT OF GLEN L. BOWER, CHAIRMAN
UNITED STATES RAILROAD RETIREMENT BOARD,
FOR THE SUBCOMMITTEE ON OVERSIGHT,
COMMITTEE ON WAYS AND MEANS
FEBRUARY 6, 1991

Good morning. My name is Glen L. Bower and I have been the Chairman of the United States Railroad Retirement Board since April 1990. The Board's Membership also includes Mr. Charles J. Chamberlain, the Labor Member of the Board, and Mr. Andrew F. Reardon, the Management Member of the Board.

The Railroad Retirement Board is pleased to be invited to testify today, and to share with the Subcommittee our experiences in building safeguards to prevent erroneous payments after a beneficiary's death, and to describe our methods for detecting such erroneous payments and any fraud against the trust funds.

Background on the Railroad Retirement Board

The United States Railroad Retirement Board (RRB) is an independent agency in the executive branch of the Federal Government, administering comprehensive retirement-survivor and unemployment-sickness benefit programs for the nation's railroad workers and their families under the Railroad Retirement and Railroad Unemployment Insurance Acts. The Railroad Retirement Board also has administrative responsibilities under the Social Security Act for certain benefit payments and for railroad workers' Medicare coverage.

In fiscal year 1990, the Railroad Retirement Board paid $7.2 billion in benefits under the railroad retirement program to the almost 900,000 current beneficiaries. The overwhelming majority of our current beneficiaries --- 83 percent --- are age 65 and older. The Railroad Retirement Board makes about 11 million individual payments each year. About half of the payments are now made by Electronic Funds Transfer.

Cooperation with the U.S. General Accounting Office

In July 1989, staff of the Railroad Retirement Board was contacted by the U.S. General Accounting Office (GAO) in connection with a study of Federal agency death notification procedures which was being conducted. We have fully cooperated in this effort by providing GAO's Philadelphia Regional Office with a copy of our master payment computer file as well as other information concerning the Railroad Retirement Board's death notification regulations, policies, and procedures.

Extent and Causes of Continued Benefit Payments to Deceased Beneficiaries

The basic sources of death information are the family and friends of the deceased beneficiary. In many instances, this primary network of information is supplemented by reports from former employers, labor organizations, funeral directors, and mail carriers. The Railroad Retirement Board's experience indicates that in many cases, the required reports are made timely and benefit payments stopped before any erroneous payments occur.

Each month on an average, the Railroad Retirement Board terminates payments for 4,300 beneficiaries who have died. Difficulties arise when reports of death are delayed or not made at all. The Railroad Retirement Board then unknowingly makes erroneous payments and is vulnerable to the possibility of fraud.

The Electronic Funds Transfer (EFT) program offers many advantages in terms of timeliness, safety, and cost effective delivery of Federal benefit payments. However, the EFT program has side effects which appear to be contributing to the unreported death problem. Among the most important of the unintended side effects are: (1) a joint account holder can readily get access to benefits electronically deposited in a deceased beneficiary's account before either the financial institution or the program agency is notified of the beneficiary's death; (2) the mail carrier, one of the best sources of beneficiary death reports, is no longer involved in the payment delivery process; and (3) there is more difficulty in locating beneficiaries participating in the electronic funds transfer program since there no longer is an incentive to report changes of address to the program agency.

Efforts Taken to Find and Stop Payments to Deceased Beneficiaries

The agency has a strong and continuing commitment to program integrity in this area and we have undertaken a combination of initiatives designed to protect the trust funds. The efforts that I will describe this morning are primarily used to identify beneficiaries whose date of death has not been timely reported to the Railroad Retirement Board.

Computer Matching Programs

The cornerstone of the agency's efforts is centered on two computer matching programs: one with the Health Care Financing Administration; and one with the Social Security Administration. In August 1982, the Railroad Retirement Board established a monthly computer matching program with the Health Care Financing Administration (HCFA), which matches Medicare death records with active Railroad Retirement Board beneficiary payment records. As a result, approximately 2,600 cases and $9 million in overpayments have been identified since 1982 and approximately

$6.5 million has been recovered as of September 30, 1990. Efforts are still underway to recover the remaining $2.5 million.

In November 1988, the Railroad Retirement Board's Office of Inspector General initiated a program which matches death records provided by the Social Security Administration (SSA) with the Railroad Retirement Board's active records as another attempt to identify beneficiaries whose deaths were not reported timely. The Office of Inspector General performed the first five computer matches covering Social Security Administration death records for the period March 1988 through June 1989. There were 1,298 "raw" hits. The Office of Inspector General then followed up on 99 cases with potential overpayments totaling $1,155,154.

The Railroad Retirement Board's Office of Retirement and Survivor Programs assumed the responsibility of the project in the first quarter of fiscal year 1990. During fiscal year 1990, 428 "hits" were reviewed and 61 cases with potential overpayments totaling $139,903 have been referred to the Railroad Retirement Board's Office of Inspector General for further investigation.

Increased Monitoring of Aged Beneficiaries

The Railroad Retirement Board makes other important efforts which supplement and complement the computer matching activities.

First, we have recently expanded efforts to monitor the continuing eligibility of beneficiaries who are age 90 and older. For at least 30 years, the Railroad Retirement Board has made personal contacts with beneficiaries attaining their 100th birthday. In addition, we now send annual questionnaires to selected beneficiaries who are between ages 90 and 105 years who have not utilized Medicare during the past year. In person follow up contacts are made when warranted. All beneficiaries who attain age 105 are again contacted in person at age 105 and each year thereafter.

The pilot of the expanded aged monitoring program conducted in 1987 and 1988 presented the opportunity for identifying unreported deaths over a long period of time, covering many previous years. The pilot detected 100 previously unreported deaths and potential erroneous payments of $641,458. Eighteen cases were referred to the Railroad Retirement Board's Office of Inspector General with a potential $461,408 in erroneous payments. The permanent monitoring program was started on an annual basis in 1990 and resulted in the detection of 43 unreported deaths representing potential overpayments of $600,384. Thirteen of these cases representing $312,450 in potential overpayments were referred to the Railroad Retirement Board's Office of Inspector General.

Investigation of Uncashed Checks

During the third quarter of fiscal year 1990, the Railroad Retirement Board implemented another ongoing monthly program to identify annuitants whose check(s) have not been cashed after 6 months, with follow-up investigation to determine whether the annuitants are alive and capable of handling their own affairs. The program uses the most recent monthly administrative cancellation tape provided by the Department of the Treasury and the Railroad Retirement Board's payment history file. To date, 303 investigations have been started by our field offices. So far, 21 unreported deaths have been discovered and a total of $317,280 in uncashed checks has been returned to the trust funds.

Follow-Up of Returned Mailings

During the year, the Railroad Retirement Board makes several mass mailings to all beneficiaries to inform them of benefit rate changes due to the annual cost-of-living adjustment, changes to the Medicare program and premium rates, and to report payments for federal income tax purposes. The Railroad Retirement Board rigorously tracks down the whereabouts and reviews the continuing entitlement of those beneficiaries whose notices cannot be delivered by the postal service. This includes contacting financial institutions when the payments are made by Electronic Funds Transfer.

Coordination with the Social Security Administration

The Railroad Retirement Board and the Social Security Administration have an extremely close working relationship on the exchange of data for the some 400,000 beneficiaries who are entitled to separate railroad retirement and Title II (social security) benefits. In fact, the Railroad Retirement Board makes direct social security payments as the Social Security Administration's agent to almost 200,000 people with dual entitlement. Social security death reports for the latter group of beneficiaries are transmitted electronically on a daily basis to the Railroad Retirement Board. On the other hand, the Railroad Retirement Board transmits death reports to both the Social Security Administration and the Health Care Financing Administration.

Discussions are underway between the Railroad Retirement Board and the Social Security Administration to give the Railroad Retirement Board direct access to State death records obtained by the Social Security Administration. This would give the Railroad Retirement Board a further tool to detect unreported deaths for beneficiaries who are not entitled to social security payments.

Summary

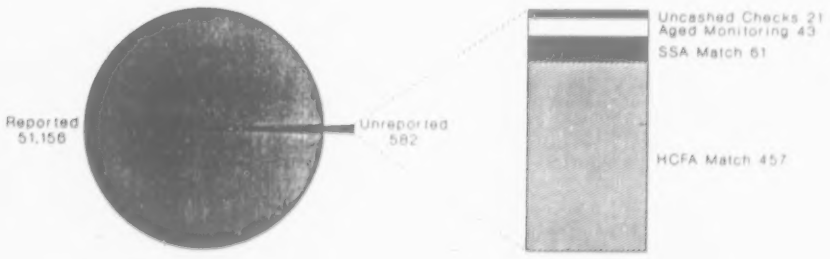
While the efforts I have described have limited our vulnerability to erroneous payments and fraud, they are not 100 percent effective. For example, the Health Care Financing Administration death match does not generally reflect deaths for those beneficiaries not receiving Medicare benefits at the time of their death. The matching program with the Social Security Administration also has limitations, since the file provided to the Railroad Retirement Board includes only those deaths reported directly to the Social Security Administration.

Therefore, the Railroad Retirement Board stands ready to work with the Subcommittee, the U.S. General Accounting Office, the Social Security Administration, and other Federal and State agencies to find ways to improve upon the current operations. I feel this should include finding a way to give all Federal benefit programs access to complete and current nationwide death information.

The attached three charts are intended to summarize and highlight the recent experience of the Railroad Retirement Board and present much of the data covered in today s testimony.

Thank you, this concludes my remarks. I will be pleased to answer any questions that the Subcommittee may have.

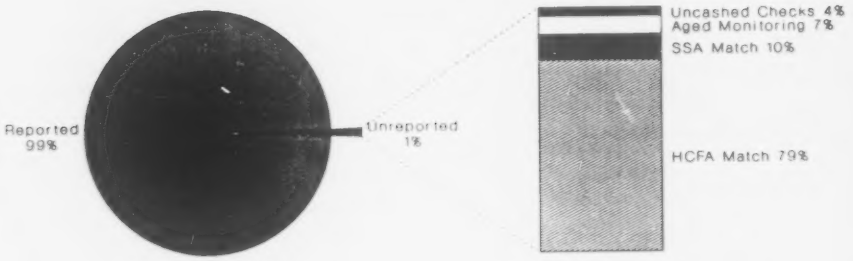
Chart 1
Railroad Retirement Program
Terminations Due to Death
Fiscal Year 1990



Total Death Terminations Unreported Sources

Source: U.S. Railroad Retirement Board

Chart 2
Railroad Retirement Program
Terminations Due to Death
Fiscal Year 1990

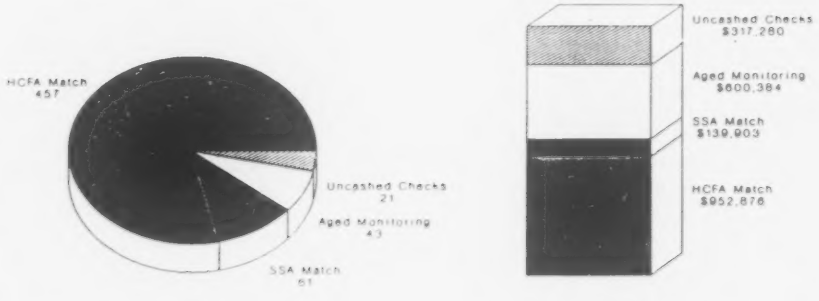


Total Death Terminations
51,156 Payees

Unreported Sources
582 Payees

Source: U.S. Railroad Retirement Board

Chart 3
Railroad Retirement Program
Unreported Death Terminations
Fiscal Year 1990



Source for
Unreported Death

Identified
Overpayments

Source: U.S. Railroad Retirement Board

Mr. JENKINS. Thank you, Bower.
Mr. Conte.

STATEMENT OF ALBERT V. CONTE, DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE, U.S. DEPARTMENT OF DEFENSE

Mr. CONTE. Good morning, Mr. Chairman and members of the committee. It is a pleasure to come before the committee to provide the details of the efforts in DOD for tracking down and preventing overpayments to deceased beneficiaries and recouping those payments. I would like to summarize my formal statement by simply saying that since 1980, the Department of Defense has had a vigorous program of computer matching, starting with purchasing files from private concerns and from the States.

We ceased that practice when we were able to receive the Social Security Administration national information, and since about 1983 we have been matching the SSA files on a quarterly basis to identify for further research the beneficiaries of our programs who are shown in the SSA files as deceased.

We do not feel that the continued erroneous payments is a significant problem. During the last four quarterly computer matches, the number of accounts flagged was an average of about 1,200 per quarter, or 4,800 per year. Compared to our entire retiree population of over 1.6 million, this is about three-tenths of 1 percent.

Now, I don't mean to minimize that. Certainly when you make a payment erroneously and don't recoup it all, one is really too much. But given the cost of doing that, we think we have worked that down to a reasonable percent. Not only do we use the Social Security Administration death files, we also have a computer matching program with the Veterans' Administration which provides us files about six to eight times a month of deaths that they record in their system. We conduct a reconciliation with the VA files once a year. We also do a computer matching with OPM files because many of the civil service retirees were former military retirees, and there is potentially a match there. So we engage in a computer matching with the three separate agencies.

I look forward to working with the committee now that we have a GAO report. They have identified some additional areas that need to be looked into, and we are certainly willing to do that.

I might just add that the Department of Defense has embarked on a major initiative to consolidate the finance and accounting centers of the individual services into a single DOD agency, of which I have the privilege of being the Director.

The new Defense Finance and Accounting Service just got under operation last month. In preparing for my testimony, I have found that the procedures for preventing overpayments vary slightly across the services. We now have an opportunity with a single agency to standardize these procedures and move forward with even more effective approaches to further improve our performance. We certainly intend to do that, Mr. Chairman.

That summarizes my statement.

[The prepared statement follows:]

STATEMENT OF DIRECTOR, DEFENSE FINANCE & ACCOUNTING SERVICE, ALBERT V. CONTE
IN CONNECTION WITH THE EFFECTIVENESS OF CURRENT FEDERAL EFFORTS TO MINIMIZE PAYMENTS TO DECEASED BENEFICIARIES

Mr. Chairman, Members of the Subcommittee:

It is a pleasure for me to come before this Subcommittee to provide details of the efforts of the Department to minimize the continuation of paying benefit checks to deceased beneficiaries. The Department has taken an active and vigorous interest in ensuring that benefits are paid only to those who are entitled, and only for so long as they are entitled. At the same time, our task is to ensure care and attention is given to verification of termination of benefits, and to be sensitive to the feelings of the family at a time of loss.

Many internal control procedures exist within the Department to preclude and minimize overpayments to deceased beneficiaries. These controls include notification of death from within the Department, from other government agencies and from non-government sources as well as internal process controls at the Pay Centers themselves.

DEPARTMENT OF DEFENSE PAYMENT VERIFICATION PROGRAM

The Department, through its Defense Manpower Data Center (DMDC), has pursued an active program of computer matching with the files of the Social Security Administration (SSA) to identify for further research the beneficiaries in its programs who are shown in the SSA files as deceased. This program, which has been in effect since the early 1980's, feeds the results of the match to Retired Pay Centers of the Department, and to the Retired Pay Center of the U.S. Coast Guard.

Our efforts began in 1980 as a pilot program to determine the cost effectiveness of a regular program of computer matching. At that time, death records were purchased from a private firm, and from those states with large military retiree populations, who had computerized death records, and were willing to share the information. The results of the pilot program indicated that regular matching of pay records with death records would be cost effective for the Department. At that time, efforts to acquire individual state files was abandoned because of the difficulty in tailoring the matches and reluctance on the states' part to share information.

A 1983 amendment to the Social Security Act authorized the Department of Health and Human Services to create and maintain a national data base on deaths and to provide that information to other federal agencies. During 1983, the Department began using SSA death records to match with the Department's retired pay information, providing that information to the Pay Centers for research. Since 1983, the Department has been a regular recipient of the SSA file and has performed regular periodic matches with benefit files. At this time, matches are performed on a quarterly basis.

EXTENT AND CAUSES OF CONTINUED BENEFIT PAYMENTS TO DECEASED BENEFICIARIES

Our Pay Centers indicate that fraudulent continued payments of benefits cannot be characterized as a large problem in our retired pay systems. The vast majority of erroneous payments are of very short duration. Most are found to be due to the time lags built into the supporting computer systems and the stress felt at the time of loss, rather than fraudulent intent.

The policing mechanisms in place, both at the Pay Centers and those available through computer matching, keep the number and duration of erroneous payments to a minimum. Statistical data available on the results of the matches indicate the number of accounts flagged during the last four matches with the retired pay file were in the range of 1,000 to 1,400 per quarter or about 4,800 per year DoD-wide. This represents about .3 percent of the total number of retiree accounts maintained by the Department. Of the accounts flagged, approximately 50 percent were not currently receiving payments from the Department. In most cases, the Pay Centers had already been notified of the death by the family, next of kin, banks, etc. Of all such cases, notification of a death occurs in the first quarter after the death about half the time. About 25 percent of the records flagged as a result of the match require follow-up and may result in a pay suspension.

The use of Electronic Funds Transfer (EFT) to financial organizations has caused some problems in the prompt notification of the death of a beneficiary. EFT is encouraged in the public sector because of reduced administrative costs. It is widely used by our Pay Centers and is particularly popular with the retired military and annuitant community. EFT has helped greatly in reducing the problem of fraudulent check endorsements and theft, but as stated above, has caused some notification problems. When an annuitant does not depend on the mail for the receipt of the check, the primary incentive to keep the Pay Centers informed of address and status changes is gone. Since the transfer of funds is so automatic, the surviving spouse may not be aware of how the annuity is actually paid and to whom notification should be provided. This problem is compounded where there is no surviving spouse or next of kin. Since direct communication between the Pay Center and the retiree or annuitant is minimal, the Centers have little direct feedback. However, we believe the benefits of EFT far outweigh the problem of continued benefit payments to the extent being experienced currently by the Department.

While no legal requirements exist for most beneficiaries to recertify the payments, the Pay Centers monitor returned mail and correspondence continually. Reports of existence are required monthly for beneficiaries who are mentally incompetent or whose check is delivered to third parties. Should these notices not be returned promptly, the individual's account is suspended pending further verification.

Certifications of eligibility are required annually for beneficiaries receiving annuities from retired service members. Child annuitants, between the ages of 18 and 22, are required to furnish school certifications each school year. Those not completing and returning the letter to the Pay Centers have their accounts suspended.

Erroneous payments are also minimized through delivery of IRS Forms W-2P's each year. Pay Centers monitor delivery of W-2P's to beneficiaries. If the W-2P is returned, a letter is sent to the beneficiary in care of the bank or the check mailing address. If a reply is not received within 60 days, the account is suspended pending receipt of data to ensure existence of the beneficiary.

With the policing mechanism the Department has in place combined with the vigorous efforts to follow-up on records flagged during the computer matching process, there will be continued payments to a comparatively small number of deceased beneficiaries but they will be of extremely short duration.

STEPS TAKEN TO REMOVE DECEASED BENEFICIARIES FROM ROLLS AND NOTIFY OTHER FEDERAL AGENCIES

One of the mechanisms for removal of deceased beneficiaries from benefit rolls is through the use of computer matching between the Department's files and the death file provided by the Social Security Administration. These quarterly matches, done at DMDC, are sent to the appropriate Pay Center for research and follow-up. Upon receipt of a positive match between a Pay Center's benefit file and the SSA death file, a letter is written to the next of kin requesting confirmation or further information. Follow-up, which involves obtaining a copy of the death certificate, is accomplished by Pay Center personnel.

The Department also exchanges information on the death of its beneficiaries with the Department of Veterans Affairs and the Office of Personnel Management, both of whom have beneficiary populations which may be affected. The Department of Veterans Affairs provides death notices to the Pay Centers as part of automated exchanges of information which occur six to eight times each month. The Department also performs an annual reconciliation of accounts with the Department of Veterans Affairs and information on beneficiary deaths is exchanged semiannually between the Department and the Office of Personnel Management. The OPM files allow us to capture death information on those retired military members who have waived their retired pay for Civil Service retirement. These individuals are potentially eligible for retired pay and these matches serve as a method of keeping the statistics on Civil Service waivers in the Retired Pay files up to date and in purging outdated records from the files.

In addition to the matching efforts, regular meetings of representatives of these agencies and the Pay Centers are held where improved information sources and procedures are shared and discussed. Also, the Pay Centers use other sources of information in their verification efforts. Notification is often received from the next of kin and the Pay Centers have routine preventative measures as well as investigative efforts to verify entitlement for continued receipt of the benefit.

USE OF DEATH INFORMATION COMPILED BY THE SOCIAL SECURITY ADMINISTRATION

Social Security Administration information is used extensively by the Department. As described earlier, we do quarterly matches between the SSA data files and the retired military pay files. We also do semiannual matches between the SSA data files and the survivor annuity files. From our experience with the use of this information, SSA death information has proven to be a valuable and reasonably accurate source of information on deaths. In the years this information has been used by the Department, substantial improvements have been noted in the timeliness and accuracy of the data provided in the SSA data files.

There are two problems, however, that are worthy of note. First, the file contains a small percentage of erroneous records on individuals who have had SSA benefit actions and are being carried as deceased. These records are the result of reporting errors originating at the local district offices which provide information to SSA headquarters. No good mechanism seems to exist within SSA to prevent these records from initially being added to the file and then to purge them from the file once identified. These records, though now fewer than previously experienced, are a major source of false positive matches, which then require a significant effort on the part of our Pay Centers to resolve. The Pay Centers report an error rate ranging from 1 to 5 percent due to a beneficiary Social Security Number (SSN) being reported on the death report of a family member, an erroneous SSN on one of the files, or a reporting error in the SSA file.

Second, the death file provided to the Department by SSA is incomplete. Some of the individual State data in the SSA National Death file is barred from disclosure by agreement between the state and SSA. Such restricted data is not released to us for use in our matching programs. We believe the release of this previously restricted information would significantly enhance the Department's matching program.

CONCLUSION

In summary, we believe the Department's policing mechanisms at both the Pay Centers and those available through computer matching allow us to keep continued benefit payments to deceased individuals to a minimum level. However, it is also noted that additional refinements in the SSA data would further enhance our ability to minimize erroneous payments.

Mr. JENKINS. Thank you very much, Mr. Conte. I want to thank the entire panel for your testimony. I have a couple of questions.

Mr. Pearson, in your testimony you mentioned that you are currently pursuing access to the SSA's death notice file based on State-provided information, but the State response to this has been overwhelmingly negative. What reasons have the States given in denying the VA access to this information, and also what alternatives, if any, have the States suggested you pursue to obtain this information.

Mr. PEARSON. In the letters that we have received from them, they have cited two issues that were previously pointed out. One was the monetary issue of the cost involved, and the other was the State privacy. Two States have indicated that they would further consider the issue, but they haven't given us any alternative other than that is their stance on it.

When I said we were pursuing with Social Security due to the recent Budget Reconciliation Act, we are doing a match with Social Security, as he said, where we could get an update monthly in order that we can run theirs, but with the States, the conversations that Mr. King had may provide us some light on that.

Mr. JENKINS. In expressing their concern about the issue of privacy, in what way does the issue of privacy——

Mr. PEARSON. They merely state in their letters that the information is furnished to them in a private nature, and in protection of the citizens of that State it wouldn't be made public to us. Some of them have been very brief and some of them have elaborated, but most of the time it was either that in substance or the cost of the information was the issue in most of the volume of the letters.

Mr. JENKINS. Maybe Mr. King could elaborate on that somewhat. What are the real concerns of the States with respect to the issue of privacy, as to whether or not privacy interests are implicated through agency sharing of death notice information?

Mr. KING. As I indicated, all but 18 registration areas classify the records as nonpublic. The wording of the language in the laws in various States varies, but, for example, no State where the records are nonpublic would allow the data to be used for a commercial purpose.

States are concerned about death data being accessed for fraudulent purposes, for example, getting a copy of a death certificate of an infant who died and getting enough information from that record to request the corresponding birth record, follow back to families and things of that nature. So there are a number of concerns along that line, and the nonpublic record States certainly are not willing to enter into a contract with the Social Security Administration and say do with it what you will. It would be contrary to their law.

Mr. JENKINS. How many States classify death certificate information as nonpublic?

Mr. KING. When we talk about--I use the term "registration" areas. We are talking about two cities; namely, of course, the District, Washington, D.C., and New York City are separate registration areas, as are Puerto Rico and the Virgin Islands, so 18 of those 54 are public; 36 are not.

Mr. JENKINS. I don't know that I fully understand. You mean that you cannot obtain a copy of a death certificate in these 30-some-odd States?

Mr. KING. Access is restricted to—some State laws talk about individuals that have a direct and tangible interest or a personal or property right interest in that record. In other words, I couldn't say my name is Fred King, I want a copy of John Jones' death certificate, unless I could demonstrate that I was the legal representative for the family or had some legitimate need for that record.

Mr. JENKINS. Are these restrictions enforced—or if someone sends the $10 or the $8 or whatever the cost of a copy of the death certificate, is that the real requirement?

Mr. KING. Those States where the records are nonpublic, yes, they definitely do enforce their State laws. They are very, very concerned with doing all that they can to see that a copy is not issued to someone who their law does not allow access.

Mr. JENKINS. Well now, Mr. King, I think the only information provided, as I understand it, is whether or not there is a record of a person being deceased; is that correct?

Maybe Mr. Enoff could elaborate for me.

Mr. ENOFF. We get the name, date of death, and the Social Security number. When we negotiated with the States there were a couple of things that concerned them, and frankly we were not interested in reasons for death and things like that. Not all the States came forward and said, "we would like to do this." So what we did in many instances, because of State concerns—and there were legitimate concerns—was to go back to some of the investigative agencies and some of the benefit payment agencies and say, "go talk to BVHS people and see if we can't work this out because we can give this information back to you and give you our information." So it did require some negotiations to let them see why it would be beneficial to make this exchange, and it did require us to say to many States that we wouldn't divulge information to others.

The statute requires that we sign an agreement with the State and that it be a voluntary agreement. So the States' concerns were represented in the agreements. Now, all of the jurisdictions except two have signed agreements with us, and we are getting data from one and we expect to get it from the other.

Mr. JENKINS. So they are satisfied——

Mr. ENOFF. We satisfied them with a reciprocal arrangement or by agreeing to keep the information in a manner so that it will not be divulged.

Mr. JENKINS. So the only remaining problem then is the cost? I am talking about if you share this with other Federal agencies.

Mr. ENOFF. Cost is not a problem from our standpoint. We charge the other agencies what it costs us to reproduce the tape.

Mr. JENKINS. No, the problem of cost is with Mr. King's members, is it not, Mr. King?

Mr. ENOFF. I will let Mr. King answer that.

Mr. KING. Thank you. Most States either have a law or a requirement that requires that the fees that they collect pay for the costs of the operation. If we do not charge users of the data, those that benefit directly from it, then the costs of running the vital sta-

tistics operation are going to have to be borne by others; namely; those who need certified copies of the certificates.

As the base of users is expanded, I would expect that there would be an adjustment in cost. For example, one State charges as high as $15, as I pointed out, for a copy of a death certificate. I don't feel that it is fair to the families of the deceased for them to pay the whole costs of the system when there are other users who should be sharing in those costs.

Mr. JENKINS. Thank you, Mr. King.

Mr. Schulze is recognized.

Mr. SCHULZE. I yield to the gentleman from Indiana, Mr. Jacobs.

Mr. JACOBS. Mr. Chairman, I have to go to another meeting, but I did want to thank Mr. Enoff for coming. He is always a valuable witness, and especially to welcome Mr. Conte, who was very helpful out in Indiana the other day to my colleague, Mr. Burton and me.

Thank you for coming.

Mr. CONTE. Thank you, Congressman Jacobs.

Mr. JACOBS. Appreciate your cooperation.

Mr. SCHULZE. Mr. Pearson, you, in your testimony stated that the VA has begun a review of information and of this problem. Is this the first time the VA has looked into the problem of checks being received or not——

Mr. PEARSON. In a correct death match, Congressman, it is. What we have had annually is an income match with Social Security whereby those records alerted us to deaths that had occurred, but due to recent language, legislative language in the reconciliation bill, we are going to do an out and out death match for the first time.

Mr. SCHULZE. But the VA has never looked into this as a problem or never looked into it to see how they are doing, or what percentage of checks were being received by someone who had already been declared deceased?

Mr. PEARSON. Not with Social Security, not as a death match.

Mr. SCHULZE. I am not talking about matching with SSA. I am saying as a problem, has the VA ever looked into the issue of how many people are receiving their checks after they are deceased?

Mr. PEARSON. No, sir.

Mr. SCHULZE. You have not. That astounds me. Is that such a small problem that the VA thinks that it is——

Mr. PEARSON. Congressman, in looking at this and in the response as far as the cost for death certificates, we found that we have many ways of finding out the deaths.

For example, there are so many recurring benefits to our recipients. First of all, a claim for insurance would notify us of the death, the claim for the burial benefits we pay for all eligible veterans. We didn't see it as that much of an issue.

Certainly as the gentleman at the end of the table said, any excess checks are too many, but we had a checks and balances system in effect by the recurring benefits not only from claims filed for DIC and pensions for widows, but the burial paying and insurance benefits so that it wasn't a problem of significance that the agency has looked into it by itself.

Mr. SCHULZE. Do you still believe it is a relatively insignificant cost and therefore not——

Mr. PEARSON. I believe that those things I mentioned are significant to tip us to most of the deaths, the largest percentage, but we are pursuing now a cross-match with Social Security, as we do wage matches with OMB, Railroad Retirement, Labor and DOD.

Mr. SCHULZE. Mr. Pearson, you also stated that much of this went through electronic transfer to institutions, many of the problem areas that you found were through the institutions.

Didn't you find that that money remained in an account or it was a joint account and the money was removed by someone else?

Mr. PEARSON. No, what we found in most of the instances where there were no dependents, in 3 or 4 months following deposits with no draws on the checks, then we were informed of the death and we got the money back.

Mr. SCHULZE. Then you were notified by the bank, you would say, in half the cases or three-quarters or 90 percent?

Mr. PEARSON. I don't have a percentage, Congressman.

Mr. SCHULZE. The committee would be interested in having that. Mr. Bower, you indicated the same situation, that electronic transfer was where you had the majority of your problems; is that correct?

Mr. BOWER. I indicated that that was a problem. My director of retirement benefits advises me that he believes, but we don't have the statistics, but we can get those, that the biggest area of unreported deaths, in terms of repayment area, would be in the electronic fund transfers, because of a variety of problems.

Mr. SCHULZE. Again, if you would keep the subcommittee apprised of the information—you probably don't have it now, but I would really be interested to know whether that money was just building up in that account or whether it was being taken out. If it is just building up and we lose the use of it for a couple of months, that is not going to concern me too much. I believe we could probably solve that by changing the agreement with the financial institutions when they receive the privilege of accepting electronic transfer funds. We could have them send a notification to the depositors or the owners of the bank accounts regarding the obligation to report a death.

Mr. BOWER. The joint accounts are a major problem, but I am advised that although the number of misdirected payments, because of lack of notification of death, electronic deposits are greater, our rate of recovery of those funds are greater than they are in the direct check situations. But we will get you some statistics on that.

Mr. SCHULZE. I would also like to have your views on whether a notice in the nondirect deposit checks which are sent out perhaps every 6 months or twice a year would be sufficient to state in bold print and terms the illegality of cashing a check after the recipient is deceased.

Mr. BOWER. I personally think that would be wise. We have already discussed that. We send out various notices during the course of the year, and that is something that could be added, but I would think on Treasury checks on the endorsement side that that might——

Mr. SCHULZE. I believe that happens now.

[The following was subsequently received:]

UNITED STATES OF AMERICA
RAILROAD RETIREMENT BOARD
844 RUSH STREET
CHICAGO, ILLINOIS 60611

(312) 751-4900

February 28, 1991

BOARD MEMBERS:
GLEN L. BOWER (CHAIRMAN)
C.J. CHAMBERLAIN (LABOR)
ANDREW F. REARDON (MANAGEMENT)

Honorable J. J. Pickle
Chairman, Subcommittee on Oversight
Committee on Ways and Means
United States House of Representatives
1105 Longworth HOB
Washington, D.C. 20515-6350

Dear Mr. Pickle:

At the February 6, 1991 Subcommittee hearing to review the issuance of Federal benefit checks to deceased beneficiaries, I was asked by Congressman Schulze for additional information. I am submitting this letter to the Subcommittee in response to that request.

1. Views on sending a periodic notice with check payments explaining the penalties for illegally negotiating a check after the recipient is deceased.

   In my opinion, the release of such a notice would be another positive step in dealing with the problem. Although the Railroad Retirement Board (RRB) would not have a problem including the intended message with other periodic notices sent to our beneficiaries during the year, it may be more advisable from a government perspective to consider having the Department of the Treasury release this notice for all Federal benefit programs. This would ensure that all recipients received the same factual information regardless of either the benefit program or the agency responsible for making payments.

2. The experience of the Railroad Retirement Board for unreported deaths (Electronic Funds Transfer versus payment by check).

   As I testified at the hearing, the majority of the unreported deaths detected by the RRB in fiscal 1990 involved Electronic Fund Transfer (EFT) payments. I have enclosed a detailed breakdown of the information currently available from agency records. It shows that 57 percent of cases in which the death reports were not timely were EFT cases, and 64 percent of the cases referred to the RRB Office of Inspector General for further investigation were also EFT cases.

3. The experience of the Railroad Retirement Board for erroneously reported deaths (Electronic Fund Transfer versus payment by check).

Based on somewhat limited data, the RRB's staff has projected that there are about 300 erroneously reported deaths each year and 60 cases (or 20 percent) involving EFT payments. I want to emphasize that the RRB does not terminate payments based on raw "hits" from computer matching programs; we independently verify each death report with the appropriate local authority responsible for maintaining official death records.

I hope this information is helpful to the Subcommittee on Oversight in completing its work in this area. I appreciated the opportunity to appear before the Subcommittee and participate in the proceedings. If you or the other Subcommittee members need any further information, please do not hesitate to let me know.

Sincerely,

Glen L. Bower
Chairman

Enclosure

cc: Honorable Richard T. Schulze
Member, Subcommittee on Oversight
Committee on Ways and Means
United States House of Representatives
2369 Rayburn HOB
Washington, D. C. 20515-3805

ENCLOSURE

Fiscal Year 1990 Unreported Death Notices

Identified

Source 1/	Amount	Number EFT Payments	Number Check Payments	Total Number
Uncashed Checks 2/	$ 317,280	-	21	21
Aged Monitoring 3/	600,384	22	21	43
Monitoring For Death (RRB/HCFA) 4/	952,876	274	183	457
Total	$1,870,540	296 (57%)	225 (43%)	521 (100%)

1/ Please refer to the February 6, 1991, statement of Glen L. Bower, Chairman, U.S. Railroad Retirement Board for more information about the various sources shown.

2/ Checks were returned to district offices as a result of their investigations.

3/ Method of payment (EFT, Check) is estimated based on review of 24 cases where 12 were EFT payments and 12 were check payments.

4/ Method of payment EFT (60%) and check (40%) is estimated based on past experience.

Referred to RRB Office of Inspector General for Investigation

Source 1/	Amount	Number EFT Payments	Number Check Payments	Total Number
Aged Monitoring 5/	$ 312,450	10	3	13
Monitoring For Death (RRB/SSA)	139,903	47	14	61
Monitoring For Death (RRB/HCFA) 6/	511,991	27	30	57
Total	$946,344	84 (64%)	47 (36%)	131 (100%)

5/ Method of payment (EFT, Check) is estimated based on review of 5 cases where 4 were EFT payments and 1 check payment.

6/ Amount of EFT payments referred totalled $249,289 and check payments $262,702.

Source: U.S. Railroad Retirement Board
February 1991

Mr. SCHULZE. Am I not correct, that it does state that if anyone other than the addressee endorses the check, that it is a violation of Federal law, and that the individual could be prosecuted for forgery?

Mr. ENOFF. I think you are correct, Mr. Schulze. I think you have hit on an area that probably bears further discussion. No one is here from the Treasury Department today, but with the increasing amount of electronic funds transfer, I think there are some things that can be done with financial institutions in terms of notification as well as some regulations that I believe limit the amount of vulnerability of the financial institutions. Treasury needs to speak to that.

It is an increasingly important issue, and it does result in a lack of us being able to recoup payments, because it becomes an incorrect payment rather than an overpayment. We don't need to get into that today, but it is an area that should be pursued.

Mr. SCHULZE. One other question for——

Mr. CONTE. Congressman Schulze, if I could make an observation. It is my understanding that a Comptroller General decision March 19, 1951, does require that every retired check contain the statement, "retired pay is payable only during the life of the payee," in bold type.

As far as I know, that requirement is continued. As far as the electronic funds transfer, I mean that——

Mr. SCHULZE. Let me interrupt you, Mr. Conte, and ask you, Mr. Smith, whether that is true on your checks.

Mr. SMITH. I believe ours is not the specific military retired pay statement, but the kind of general Government statement that would be on the Social Security check.

Mr. ENOFF. Negotiability of the checks is limited now. Treasury has brought down the time that you can negotiate a check. It doesn't solve the problem, but it goes in the right direction.

Mr. CONTE. The other thing I want to mention is we are pushing electronic funds transfer. I believe all the agencies are emphasizing electronic funds transfer because it is more cost effective to have that done. But that does create a problem identifying when a person is deceased and no longer eligible.

For the most part our experience has been that the financial institutions do, in fact, notify the Department of Defense pay centers when they learn of a death. There is also a requirement that the financial institutions be liable to the Government for benefits paid after the death of a retired pay claimant.

I believe their liability is limited to 45 days from the date of death, but they are liable for at least those 45 days if they make payment to a person who is deceased.

Mr. SCHULZE. So it would be in their interest to send cut such notices along with their——

Mr. CONTE. Yes, sir, and for the most part I believe they do.

Mr. SCHULZE. Thank you.

Mr. Hallmark, you had stated that you were in the process now of looking into the prosecution on two cases. How many cases have been prosecuted in the past?

Mr. HALLMARK. I can't give you any statistics at this moment. I can go back and get you the information.

Mr. SCHULZE. If you would and send it to the committee, I would appreciate it.

[The information follows:]

OWCP makes referrals to the Office of the Inspector General (OIG) where fraud of any kind is suspected. We do not know in every case what happens once the referral is made, including whether cases are prosecuted so we are unable to give the exact information the committee requested.

The number of referrals to OIG in cases involving payments made after the death of the beneficiary since 1985 (where information is available) is known, and where we know that cases resulted in prosecution, we have provided that information:

Black Lung Program: 50 referrals (no known prosecutions)
Federal Employees' Compensation: 7 referrals (4 known prosecutions)

Chairman PICKLE. Thank you, Mr. Schulze.

Mr. Sundquist.

Mr. SUNDQUIST. Thank you, Mr. Chairman.

Mr. Enoff, when you talked about the validating of the information that you received, you validate that before you share that with other agencies?

Mr. ENOFF. We validate only for those who are our current beneficiaries, where we would take an action, yes. But I want to point out again, 99 percent of our death information comes from other than State BVS sources. So it is not a large number that we validate from the State, but we do validate some, because we ran into unusual situations.

There are some varying State laws about burial certificates and death certificates, and we ran into some problems with that as well as with the erroneous reporting of information because of a Social Security account number being——

Mr. SUNDQUIST. But the information on deaths that occur that you get from all sources, including your own, that is shared with other agencies, and that would be pretty solid information?

Mr. ENOFF. The information that we have now, I would say so. There have been problems in the past with some of the information that is provided by the hospitals and so forth to the Health Care Financing Administration, and we validate there also because of some transposition problems on forms. Nevertheless, I think death information should be validated by other agencies, even though it is good information that we receive, generally speaking.

Mr. SUNDQUIST. Do you go after the banks where there has been a problem?

Mr. ENOFF. Treasury is the regulator of the banks, Mr. Sundquist. What we can do is limited by Treasury regulation.

Mr. SUNDQUIST. Are there any changes in regulation that ought to be made to help make your job better? I don't expect you to comment today, but could you put this in writing?

Mr. ENOFF. We would be glad to work with you in looking at ways we can do that, sure.

Mr. SUNDQUIST. Mr. Chairman, this does not resolve my question with Mr. Enoff. I want to make sure you understand that. Is it possible for GAO to submit to us members comments on other's testimony today, because they made a study, and now we are having testimony.

I would request, if we could, to have them comment to us——

Chairman PICKLE. I see no reason why that should not be done as a matter of course, and we will propound those questions to them for their response.

Mr. SUNDQUIST. Thank you.

Mr. King, tell me a little bit about your organization. Are you part of the Minnesota government?

Mr. KING. No, sir.

Mr. SUNDQUIST. Minnesota Department of Health, because I see the address on there, it says care of Minnesota Department of Health.

Mr. KING. I am the State registrar of vital statistics for the State of Minnesota. I am here this morning, however, in my capacity as president of the National Vital Records Association.

Mr. SUNDQUIST. Where are you located? Where are the computers? Where do you gather all this information?

Mr. KING. As far as the furnishing of death data? Each State furnishes a data tape to the Social Security Administration.

Mr. SUNDQUIST. It doesn't come into one source? It all comes from States?

Mr. KING. That's correct.

Mr. SUNDQUIST. So there are no employees of the AVRHS?

Mr. KING. That's correct, sir.

Mr. SUNDQUIST. And so the money that you are getting goes back to the States then. It goes back to the States based on how many transactions?

Mr. KING. Reimbursement is made on a per record basis by SSA to each State. It doesn't funnel through the association.

Mr. SUNDQUIST. Do you have any idea and can you find for us, and submit to this subcommittee, the kinds of transactions where the Federal Government helps your organization, where we give information and how you benefit? What does that cost the Federal Government, what do you pay to the Federal Government?

Mr. KING. As far as the Federal Government providing information to the association or to the States, and I am speaking from the standpoint of vital statistics, a major flow from the Federal Government does not occur to me. I can't think of any.

Mr. SUNDQUIST. How about mortgage vehicle usage?

Mr. KING. I am sorry, if I have any expertise, I am sorry, it is limited to vital statistics.

Mr. SUNDQUIST. How do you define vital records?

Mr. KING. Birth, death, marriage, and divorce.

Mr. SUNDQUIST. Is it not probable that the States receive more information from the Federal Government that they can use, than what the Federal Government receives? Mr. Enoff, would you like to comment on this?

Mr. ENOFF. We provide the State benefit-paying agencies with our information. That is part of the process, the exchange of information, so we provide that death information, but it wouldn't be to Mr. King's organization. It would be to the benefit-paying organization, AFDC, welfare, and other needs-based benefit organizations.

Mr. SUNDQUIST. So, Mr. King, are you a lobbying organization trying to get more money from the Federal Government for the States?

Mr. KING. No, sir, we are not. Our primary purpose is to promote uniformity in vital statistics registration.

Mr. SUNDQUIST. So it doesn't matter to you if we pay the States anything, then?

Mr. KING. Yes, it does matter.

Mr. SUNDQUIST. Why?

Mr. KING. Again, the States do look to the association for leadership, wanting—I feel there is advantages to uniformity in all areas of vital registration in this country, whether it be laws or certificate forms or reimbursement for copies of data tapes.

Let me make a positive comment, if I might. We are most anxious and interested in reducing both the fraudulent use of vital records and furnishing the Federal Government with data that will reduce benefits to individuals who aren't entitled to receive them.

As I pointed out in my testimony, we work very closely with IRS. Four or five times a week we get a request from the Internal Revenue Service wanting to verify the death of someone. We work very closely with the FBI in fraudulent use of both birth and death certificates.

Mr. SUNDQUIST. I appreciate that, Mr. King, and I am glad to hear you say that. Can you think of any reason why the Federal Government should pay anything at all? I know you have made that argument, but why should we pay more than once for the same information?

Mr. KING. If there was a single contract with Federal agencies who could benefit with death data, I would endorse that concept.

Mr. SUNDQUIST. Thank you very much. Just a couple more questions, Mr. Chairman.

If I run out of time, be sure to let me know.

Mr. Pearson, in the VA, the information that you have that is separate from payments that would be as a result of insurance that is paid out, and that sort of thing, do you share that with Social Security now?

Mr. PEARSON. Yes, I think so. We share some death information——

Mr. SUNDQUIST. All of it?

Mr. PEARSON. All we have, yes, sir, we exchange.

Mr. SUNDQUIST. Good. Is it fair to say, Mr. Enoff, that the VA and Social Security probably have the most effective cross-communications or not?

Mr. ENOFF. I think it is probably the most extensive at this point, but we do share with OPM, DOD, and RRB.

I didn't go into this, but we do other things to verify death on our own. We go out periodically and contact persons above a certain age level or if we have some indication that there may be an error. That goes on our record.

Mr. SUNDQUIST. The same kind of thing Mr. Bower talked about.

Mr. ENOFF. I didn't mention it for us, but I think the volume in ours is much more significant, and we do share that information.

Mr. SUNDQUIST. Mr. Pearson, on the fourth page of your testimony, would you supply for this subcommittee the information that some States indicated they will cancel the program if information is released by VA, will you tell us which States those are by letter later?

Mr. PEARSON. Yes.

[The VA submitted the following letters:]

Norman H. Bangerter
Governor
Suzanne Dandoy, M.D., M.P.H.
Executive Director
Sheldon R. Ekman
Director

State of Utah
DEPARTMENT OF HEALTH
OFFICE OF ADMINISTRATION

Bureau of Vital Records and Health Statistics
288 North 1460 West
P.O. Box 16700
Salt Lake City, Utah 84116-0700
(801) 538-6105

January 11, 1991

Robert Hall
Office of Regional Operations
Social Security Administration
P.O. Box 7696
Baltimore, Maryland 21207

Hello Bob:

Best wishes for the new year.

For your information, I am enclosing a copy of my letter to the Department of Veterans Affairs. I assume you are aware of the letter that was sent out by Mr. Gray in late November of 1990. If not, I am enclosing a copy of the letter he sent to George VanAmburg. I also received a similar letter as did, I assume, every state registrar in the U.S.

I don't imagine that you or other people in the SSA are encouraging the Department of Veterans Affairs to negotiate the agreement that Mr. Gray is proposing. There may be pressure from the GAO to facilitate such an agreement. If that happens, I want you to be aware that we will cancel our agreement with SSA.

I would appreciate your confirmation that SSA understands that no one is to obtain access to the death certificate information from Utah without approval from this office. Your cooperation and assistance will be appreciated.

Sincerely,

John E. Brockert, Director
Bureau of Vital Records
and Health Statistics
(801) 538-6186

Enclosure

State of Utah
DEPARTMENT OF HEALTH
OFFICE OF ADMINISTRATION

Norman H. Bangerter
Governor
Suzanne Dandoy, M.D., M.P.H.
Executive Director
Sheldon R. Sloan
Director

Bureau of Vital Records and Health Statistics
288 North 1460 West
P.O. Box 16700
Salt Lake City, Utah 84116-0700
(801) 538-6105

January 10, 1991

D'Wayne Gray
Chief Benefits Director
Dept. of Veteran Affairs
Washington, D.C. 20420

Dear Mr. Gray:

I have reviewed your letter regarding a computer matching agreement that the Department of Veteran's Affairs is currently negotiating with the Social Security Administration to secure death information, including death certificates, that SSA receives from state governments.

This is to advise you that the state of Utah does not authorize the SSA to provide identifying death certificate information to other federal agencies, including the Department of Veteran's Affairs. Utah death certificate information is confidential and can only be authorized for release by this office. The SSA has no authority to provide death certificate information to the VA or any other federal agency. It will be necessary for the VA to negotiate an agreement with this office to obtain the death certificate information.

I will be happy to meet with you or your representative to negotiate such an agreement. I would suggest as an alternative, that you meet with the officers of the Association for Vital Records and Health Statistics and negotiate an agreement through that organization, which would then be recommended to its membership.

If I can be of further assistance, please let me know.

Sincerely,

John E. Brockert

John E. Brockert, Director
Bureau of Vital Records
and Health Statistics
(801) 538-6186

cc: Frederick L. King
President AVRHS

TH 213B

State of Alabama
Department of Public Health
Center for Health Statistics
Office of Vital Records
State Office Building
Montgomery, Alabama 36130-1701
(205) 242-5033

Claude Earl Fox, M.D., M.P.H.
State Health Officer

Dorothy S. Harshbarger
State Registrar & Director

MAILING ADDRESS
434 Monroe Street
Montgomery, Alabama 36130-1701

January 23, 1991

Mr. D'Wayne Gray
Veterans Administration
Office of Chief
Benefits Director
Washington, D.C. 20420

Dear Mr. Gray:

Recently you requested that our office allow the Department of Veterans Affairs to access death information that Alabama sends to the Social Security Administration. Our agreement with SSA prohibits SSA from releasing that information to another agency. If Veterans Affairs wants to obtain death files from Alabama, an agreement would have to be developed with your agency which would include the cost for providing the file.

Alternatively, since it appears that you are requesting death information from a number of states, you should work through the Association for Vital Records and Health Statistics (AVRHS) to set up a general agreement with all states as is done for SSA. If you wish to contact AVRHS, you can talk to Fred King, State Registrar for Minnesota, and the current President of AVRHS [phone (612) 623-5121].

If you would like to discuss obtaining death information for Alabama, please call me at (205) 242-5041.

Sincerely,

Dorothy S. Harshbarger

Dorothy S. Harshbarger
State Registrar and Director

/sha

cc: Fred King

State of Kansas
Mike Hayden, Governor

Department of Health and Environment
Division of Information Systems
Landon State Office Bldg., Topeka, KS 66612-1290

Stanley C. Grant, Ph.D., Secretary

(913) 296-1415
FAX (913) 296-6231

2/3B

January 3, 1991

Mr. Ted Spindle, Asst. Director
Adjudication Procedures
Compensation and Pension Service
Department of Veterans Affairs
Washington, D.C. 20420

Dear Mr. Spindle:

I am writing in response to a letter dated November 30, 1990 from D'Wayne Gray with regard to VA securing death information from SSA, including death certificates received from state and local governments.

The State of Kansas does provide information to SSA with specific restrictions including one that the information is not to be shared with anyone for any other purpose than those outlined in our agreement.

If VA is interested in obtaining vital record data, we suggest that you request the data directly from us. In your request we need the following information:

(1) What information would be requested and how it is to be used, including proposed schedule for submitting request(s);

(2) Assurance that no direct followup would be conducted based upon information provided from the vital record;

(3) Assurance that information provided would be used only in nonidentifiable form;

(4) Assurance that access to data would be limited to only those individuals who are directly responsible for authorized programs;

(5) Assurance that data would be secured in locked files or other equally secured storage unit(s) to protect the data against unauthorized access;

(6) A proposed retention and disposition schedule for discarding the data once its purpose has been served, including method of disposition;

(7) Assurance that information will not be disseminated or shared with anyone for any other purpose.

Charles Konigsberg, Jr., M.D., M.P.H., Director of Health (913) 296-1343
James Power, P.E., Director of Environment (913) 296-1535
Lorne Phillips, Ph.D., Director of Information Systems (913) 296-1415
Roger Carlson, Ph.D., Director of the Kansas Health and Environmental Laboratory (913) 296-1619

Once we receive your written request, we will determine your eligibility to receive the data requested as well as the cost of providing such service.

We await further communication with regard to this matter. If you have any questions, please contact Charlene Satzler, Director and Assistant State Registrar. Charlene can be reached at (913) 296-1414.

Sincerely,

Dr. Lorne A. Phillips, State Registrar
Office of Vital Statistics
Division of Information Systems

cc: Charlene M. Satzler

SOUTH DAKOTA DEPARTMENT OF HEALTH
DIVISION OF ADMINISTRATION

December 31, 1990

D'Wayne Gray
Chief Benefits Director
Department of Veterans Affairs
Washington, DC 20420

RE: 213B

Dear Mr. Gray:

This is in response to your recent request to this office, for access to South Dakota death information that has been provided to the Social Security Administration.

The South Dakota Department of Health has a policy of not allowing a re-release of any data furnished to an agency. In most instances the agency that has received the data has requested a contract, which contributes to the administrative costs.

The South Dakota Department of Health has, for over thirty years provided a copy of a veterans death certificate to the South Dakota Veterans Affairs. These death certificates has apparently been utilized on the local level only.

If you have any further questions regarding this matter, please feel free to contact me.

Sincerely,

Doris J. Donner
State Registrar
Center for Health Policy
and Statistics
(605) 773-4961

DJD:lr:ps361dd1

STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF PUBLIC HEALTH SERVICES

Health & Welfare Building
6 Hazen Drive, Concord, N.H. 03301-6527

DEPARTMENT
Harry H. Bird, M.D.
Commissioner

DIVISION
Susan D. Epstein
Acting Director

HELP LINE TTY/TDD RELAY
603-225-4033

603-271-3745 (FAX)

December 31, 1990

D'Wayne Gray
Chief Benefits Director
Department of Veterans Affairs
Washington, D.C. 20420

Dear Mr. Gray:

This is in response to your correspondence dealing with accessing the death files provided to the Social Security Administration. I would totally agree and support the GAO recommendation that savings would be experienced by the Veterans Administration by accessing the death files supplied by the states. However, we cannot support or endorse the idea of obtaining this information from the Social Security Administration. The point of origin is the State's Vitals Registration Office and the agreement terms (part H-1 b) with SSA as well as the state's Administrative Rule [Vit 703.04(3)] specifically forbids further release of this confidential information.

Therefore, if the Veterans Administration is interested in obtaining this information to update their files, I would suggest you complete the request form enclosed and be prepared to pay for accessing the file like other users. I feel certain the amount of savings your agency would experience will go beyond the cost of obtaining these files.

Enclosed is a request from for your convenience. If you have any further questions in this regard, please feel free to contact me.

Sincerely,

Charles E. Sirc
State Registrar and Chief
Bureau of Vital Records
and Health Statistics

CES/pae
Enclosure
9756q

PUBLIC HEALTH
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Commonwealth of Pennsylvania

Department of Health

2/3B

HARRISBURG

717-783-2548
December 21, 1990

D'Wayne Gray
Department of Veteran Affairs
Office of the Chief
Benefits Director
Washington, DC 20420

Dear Mr. Gray:

I am writing in response to your letter dated November 30 (Re: 213B) in which you request permission to use Pennsylvania death record information which we have provided to the Social Security Administration (SSA).

Pennsylvania provides information to the SSA under a contract which was negotiated through the Association for Vital Records and Health Statistics (AVRHS). I have spoken with George Van Amburg from Michigan regarding your request, and he has shared his December 10 letter to you with me. I agree with Mr. Van Amburg that you should contact Fred King, president of the AVRHS to arrange for negotiating a contract for use of state death data for administrative purposes within your agency. I understand that Mr. Van Amburg has given you Mr. King's telephone number and address.

You were correct when you wrote that Pennsylvania does not allow redisclosure of our death certificates or the information contained on our death certificates without our written permission. This is clearly stated in Section H-1-g of our contract with the SSA. Therefore, until a uniform agreement for use and payment is reached, Pennsylvania death data may not be transferred from the SSA nor used for the purposes stated in your request.

If you have any questions, please call Debbie Stubljar at 717/783-2548.

Sincerely,

Patricia W. Potrzebowski

Patricia W. Potrzebowski, Ph.D.
Director, Division of Health
Statistics and Research
State Health Data Center

MISSOURI DEPARTMENT OF HEALTH

John Ashcroft
Governor

John R. Bagby, Ph.D.
Director

P.O. Box 570, Jefferson City, MO 65102 • 314-751-6400 • FAX 314-751-6010

December 20, 1990

D'Wayne Gray
Department of Veterans Affairs
Chief Benefits Director
Washington, DC 20420

Dear Mr. Gray:

I believe you received a letter from Fred King, President of the Association of Vital Records & Health Statistics, pertaining to the request which you sent to the states to access the state death data.

I am in concurrence with the position stated by Mr. King that we expect all users to share in the costs of collecting the death data. I suggest you initiate conversations with Mr. King and the Executive Committee of the AVRHS to negotiate an equitable purchase price which could be recommended to all states.

Sincerely,

Garland Land

Garland Land, Director
Division of Health Resources

GL:pds

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS

Buddy Roemer
GOVERNOR

LOUISIANA
Department of
HEALTH and
HOSPITALS

David L. Ramsey
SECRETARY

December 11, 1990

D'Wayne Gray
Chief Benefits Director
Department of Veterans Affairs
Washington, D.C. 20420

Re: Access to Louisiana Death Records
213B

Dear Mr. Gray:

This will acknowledge your letter of November 30, 1990. As I understand, you are requesting authorization to access Louisiana Death Certificate files held by the Social Security Administration.

First, I would commend the efforts of your agency to eliminate erroneous payments to deceased individuals. As a fellow taxpayer, I share your desire to eliminate any inappropriate disbursement of public funds.

As a matter of policy, this office does not permit data contractors to release vital records containing identifying information to other agencies or individuals. The policy is necessitated by state confidentiality laws. Additionally, this office relies on self-generated revenues to pay staff salaries and equip our offices. As a consequence of our revenue dependency, records are only released without charge where specifically mandated by law.

In order that we may provide good quality, timely services to all users of Louisiana vital records, it is requested that your agency consider sharing in the cost of operating this and other vital records offices through the contractual acquisition of documents based on a reasonable fee schedule.

I look forward to hearing from you. If you have questions or I may be of assistance at any time, please do not hesitate to contact me.

Very truly yours,

William H. Barlow
Director and State Registrar
(504) 568-8353

WB

OFFICE OF PUBLIC HEALTH • VITAL RECORDS REGISTRY
P.O. BOX 60630 • SUITE 102 • NEW ORLEANS, LOUISIANA 70160 • PHONE - 504/568-8353 • LINC 621-8353 • FAX # 504/568-2543
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DEPARTMENT OF PUBLIC HEALTH

3423 N. LOGAN
P.O. BOX 30195, LANSING, MICHIGAN 48909

Raj H Wiener, Director

December 10, 1990

D'Wayne Gray
Department of Veterans Affairs
Office of the Chief
Benefits Director
Washington, D.C. 20420

Re: 213B

Dear Mr. Gray:

I am in receipt of letter of November 30 requesting permission for use of Michigan death record information provided to the Social Security Administration.

All states that provide information to the Social Security Administration do so under a negotiated contract for uniform payment of a fee for use of the data. This contract was negotiated through the Association for Vital Records and Health Statistics an affiliate of the State and Territorial Health Officials. As such, each state is compensated fairly and uniformly for the use of these data.

I highly recommend you contact Mr. Fred King, president of the Association to arrange for negotiating a contract with the Department of Veterans Affairs for use of state death data for administrative purposes within your agency. Mr. King's address is provided below. The states will want to be adequately compensated by any agency that plans to achieve administrative efficiency or benefits from the use of these data. The data are collected at great expense to state governments and these governments need to partially recover some of the costs of this large data collection effort through the sale of access to the data. Should the Department of Veterans Affairs be unable to negotiate a contract through the Association for Vital Records and Health Statistics, I suspect that most states will charge the department their statutory certified copy fee for use of data.

As a side note, the Association had an agreement with the Government Accounting Office and the Social Security Administration, that the Association would allow the use of the state contributed data for researching the potential uses of these data for other government agencies under the condition that any ongoing use of such data would be negotiated with the iterested agency and states adequately compensated by the agency using the data. Clearly, your letter indicates that your Department is not abiding by that agreement and expects to receive free use of these important data.

7.25 4/88

Until a uniform agreement for use and payment is reached Michigan death data may not be transfered from the Social Security Adminsitration nor used for the purposes stated in your request.

Mr. King can be reached at 612-623-5464, State Department of Health, 717 Delaware Street, SE, Minneapolis, Minnesota 55440.

Sincerely yours,

George Van Amburg
State Registrar and Chief
Office of the State Registrar
and Center for Health Statistics
(517) 335-8675

State of North Carolina
Department of Environment, Health, and Natural Resources
Division of Epidemiology
P.O. Box 27687 • Raleigh, North Carolina 27611-7687

James G. Martin, Governor
William W. Cobey, Jr., Secretary

December 11, 1990

J. N. MacCormack, M.D., M.P.H.
Director

D'Wayne Gray
Chief Benefits Director
Department of Veterans Affairs
Washington, DC 20420

Dear Mr. Gray:

Permission is hereby granted to the Social Security Administration of the U.S. Department of Health and Human Services to provide the U.S. Department of Veterans Affairs with North Carolina death information, including copies of individual death certificates, that have been provided to the Social Security Administration by the North Carolina Division of Statistics and Information Services. There is to be no charge to Veterans Affairs for this information if provided by the Social Security Administration. However, if copies of individual death certificates are requested from this office, normal charges ($3.00 per uncertified certificate) will apply.

Permission for the release of this data is contingent upon the U.S. Department of Veterans Affairs abiding by all restrictions stipulated in this state's current and subsequent agreements with the Social Security Administration. I reserve the right to revoke authority for the Social Security Administration to provide this data if I subsequently determine that Veterans Affairs has shared this information without authorization or otherwise failed to comply with other stipulations of the agreements to which I have referred.

Please contact me directly at (919)733-3000 if there are any problems or questions regarding this matter.

Sincerely,

A. Torrey McLean

A. Torrey McLean, CRM
State Registrar and Chief
Vital Records Section

ATM:la

cc: J.N. MacCormack, M.D., M.P.H.
Delton Atkinson
T. H. Spindle

REPLY TO: VITAL RECORDS SECTION
P.O. Box 27687, Raleigh, North Carolina 27611-7687 Telephone 919-733-3526

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DEPARTMENT OF HEALTH
125 WORTH STREET NEW YORK, NY 10013

The City of New York

SPECIAL

February 6, 1991

Mr. D'Wayne Gray
Chief Benefits Director
Department of Veterans Affairs
Washington, DC 20420

Dear Mr. Gray:

This is in reply to your letter of November 30, 1990, requesting that the New York City Department of Health grant permission to the Social Security Administration to pass along to the Department of Veterans Affairs copies of our death records so that you may identify erroneous payments to deceased beneficiaries.

The Department of Health furnishes these records weekly to SSA under a contract which forbids re-disclosure to any other party.

The Department of Health has a policy of requiring each requesting agency to negotiate a separate contract for purchase of death records. This policy is consistent with the recommendation of the Association for Vital Records and Health Statistics (AVRHS). We refer you to a letter from AVRHS President Fred King to you (December 18, 1990). The position of the AVRHS, as stated in that letter, is that "agencies of state and federal government and others users of vital statistics data contribute in an equitable manner ..." to the costs of administering the vital statistics system from which these data originate.

We will be glad to discuss setting up a contract similar to that now in effect with the Social Security Adminsitration.

Sincerely yours,

Steven D. Stellman, Ph.D.
Assistant Commissioner for Biostatistics
& Epidemiologic Research

cc: Earlene Price, Acting Director, Bureau of Vital Records

Mr. SUNDQUIST. Thank you.

Mr. Hallmark, it seems to me that everything is perfect at Labor?

Mr. HALLMARK. Well, I wouldn't go that far today.

Mr. SUNDQUIST. That is the impression you gave me, that everything is fine. There is no problems, and you have saved all the money you can save and that everything is just peachy keen.

Mr. HALLMARK. As I said, Congressman, our universe of payees is much smaller than some of the other agencies represented at the table, and there may be some differences.

We found in looking at the specific hits that a number of the individuals who received erroneous payments and, in effect, were overpaid, were eligible for survivors' benefits. And so once the overpayment was established, even in some of the more egregious cases it amounted to only $3,000 or $4,000 over a period of time because of the small differential between full benefits and reduced survivors' benefits. There was an overpayment, an error was made, but that person who was receiving those checks, in many cases a widow in a rural area whose spouse was receiving black lung benefits, was entitled to benefits in her own right. These folks are not fully familiar with a lot of the Federal programs, and may very well have understood that these checks were meant for them, despite all of our efforts to try to inform them. So a number of these erroneous payments were not what you would call a clear, egregious case of stealing money from the Government.

Mr. SUNDQUIST. Mr. Hallmark, I don't believe that is the point of all this testimony. I believe what we are talking about is not just people who are stealing. We are talking about taxpayers' money that is being paid out because of a lack of information or a lack of management controls in terms of finding out who has gotten the money when they shouldn't have? So the fact that they are being paid for black lung problems doesn't mean that they are any more deserving of extra money than somebody from the VA or somebody on Social Security. That is what particularly bothered me about your testimony.

We are not just after people who are trying to steal. We are after inefficiency and ineffectiveness that results in millions of dollars being paid out at a time when we are having to raise taxes or did raise taxes on people in the country. So I think you ought to go back and look at your program. If you have something to amend to your rosy scenario, I would hope that you could perhaps give us some help with that.

Mr. HALLMARK. As I said in my comments, Congressman, we stand ready to look at this again, and especially if a more complete kind of system is brought to bear. One of the issues that we looked at when we got this information from GAO was the credibility and the availability of the SSA data.

In our small case, the problems associated with running down false hits and so on was a sufficient cost factor, and as a result of the study we found two cases that we had not identified previously out of 160,000 payees. The cost-benefit ratio had to be looked at.

Mr. SUNDQUIST. If you only found 2 mistakes out of 160,000, you better look again. I don't think you are that good.

Mr. HALLMARK. We plan to look again.

Mr. SUNDQUIST. You are not looking right if you only found 2 out of 160,000. I think there is something wrong in the way you are looking at it.

Mr. HALLMARK. Those were the data reported to us by GAO.

Mr. SUNDQUIST. Thank you, Mr. Chairman.

I thank everyone for their testimony.

Chairman PICKLE. Thank you, Mr. Sundquist. Now, Mr. Thomas.

Mr. THOMAS. Thank you, Mr. Chairman. Let me just pick it up with you, Mr. Hallmark. I had the same reaction in terms of your testimony, that somehow we are here looking for fraud and that Labor is not a place to look, in that it wasn't just a single reaction of a single member.

I believe basically that GAO did a fast and dirty examination for purposes of trying to indicate to us the level of the problem. I have got a stack from GAO on Labor, and if you are telling me that the number of erroneous benefits at 41 payments is not a problem, and then you are going to give me some statistics about how many this was. You want me to get GAO to look at every program you have in Labor so that we can begin to examine it across the board?

The point is, and I don't want to get into agency bashing, that wasn't the purpose of lining you folks up. I wanted to have a good cross-section of the Federal Government as I could ask them if communication between agencies is adequate.

Now, what I have heard from this is that every one of you, and correct me if I am wrong, would fall on your face tomorrow morning if it weren't for the voluntary reporting structure. The voluntary reporting structure is what keeps you all going. We are really working on a relatively small area of double-checking the voluntary.

Is that pretty accurate in terms of where we are?

Mr. ENOFF. Mr. Thomas, I am not sure you are talking about voluntary State or voluntary individual.

Mr. THOMAS. Voluntary individual.

Mr. ENOFF. That's correct, that is absolutely right.

Mr. THOMAS. That is the system we have now.

Mr. ENOFF. I don't have to remind you, because you were there, what happened prior to this statute. We used to have a lump sum death payment in Social Security, and funeral directors were very good at reporting deaths to us. That stopped in 1981, so in 1983, when we went into this, you created the system and the statute did say it should be a voluntary State system. But you are right, that most death information is reported voluntarily by individuals.

Mr. THOMAS. Mr. Enoff, let me ask you a question while I have you. How many, and if you can't get it off the top of your head, give it to me later, how many invalid cancellations occur through SSA?

Mr. ENOFF. They are minimized now. At the startup we had some, but we validate now before we cancel the payment, so I will get you a number. I can't tell you the impact number. You are talking about invalid cancellation of checks?

[The information follows:]

We terminate approximately 150,000 cases each month due to death of the beneficiary. Approximately 750, or about 0.5 percent of the terminations of benefits due to death are erroneous. Some of these occur because of administrative error and are

resumed immediately. Others are the result of checks that are returned marked "deceased" erroneously. In these cases, benefits are resumed immediately after an in-person interview with the beneficiary.

No erroneous terminations of benefits occur based on deaths reported by the States because SSA independently verifies State reports of death before terminating benefits.

Mr. THOMAS. That seemed to be a thread running through some folks' concerns. Obviously you have a balance between letting checks go on for years, 41 payments or more to a person who is dead and canceling a payment of someone who is clearly alive. Those are the two parameters we are trying to operate within.

All we have had are statistics on examples of where we haven't canceled checks of people who are dead. Maybe we need a little more indication of the very real and, I think, unfair procedure of an individual having a check canceled when the information was not accurate. Accuracy is what we are striving for, and I am looking for some information for that teeter to go a little bit the other way, if in fact that is the case, and if we don't do any inaccurate cancellations at all, then we are in great shape.

Mr. ENOFF. The statistic that comes to mind is that 5 percent of the information reported to us from the States is inaccurate, but we do not cancel payment in those cases. We verify, and everyone else can verify, and that can be done without a lot of costs.

Mr. THOMAS. My assumption is that the individual voluntary information is virtually 100 percent accurate because nobody is going to volunteer false information.

Mr. King, I have got to figure out how to begin here. Does your department charge the other agencies in Minnesota for the information that you have?

Mr. KING. No, for the most part we do not.

Mr. THOMAS. If another agency requests information, you provide it to them free of charge?

Mr. KING. Our particular law, there is two things that we do. One is verification of the facts of birth or death. It is primarily birth for social service agencies. We also furnish our department of human services with a copy of the death tape at no charge.

Mr. THOMAS. If another agency requested it, you would supply it to them with no charge?

Mr. KING. It would depend on the nature of the request. If the cost to us were minimal, we probably would not charge them.

Mr. THOMAS. What about State to State? All of that is under the charge——

Mr. KING. Any request for verification of data from another State would be—we would charge for those, yes.

Mr. THOMAS. You referred to the Federal Government several times, but for purposes of getting information from Minnesota, you don't look at it as the Federal Government. You looked at it as individual agencies with which you are going to contract to supply that information to them?

Mr. KING. Yes, at the present time, yes, we do.

Mr. THOMAS. Why?

Mr. KING. I indicated we would be willing to consider. I would be willing to recommend to the States that there be one contract that would include more than one Federal agency, but in order——

Mr. THOMAS. Price to be adjusted accordingly?

Mr. KING. Yes, sir.

Mr. THOMAS. I have problems with the whole conceptual approach to this business of the States' rights to privacy and information that the States have that can't be supplied to the Federal Government. We are all aware under the 14th amendment every individual who is a citizen of the United States is also a citizen of a State, so you have the concept of dual citizenship here. When the person dies, the citizen of the State dies, but also a Federal citizen dies. I have difficulty understanding why you feel you need to charge the other Government agency who also has citizenship relationships with this individual for the information.

For example, on the death certificates that Minnesota issues, is there a Social Security number routinely on the death certificate?

Mr. KING. Yes, there is.

Mr. THOMAS. Where do you get that information?

Mr. KING. From the family. Generally, whoever would make arrangements for burial, the information is obtained by the funeral director.

Mr. THOMAS. Do you find it useful to have that information on the death certificate?

Mr. KING. We don't use it for any other purpose, no.

Mr. THOMAS. You don't have any use for that number?

Mr. KING. Not at the present time.

Mr. THOMAS. Why do you put it on the death certificate?

Mr. KING. For purposes of the family using the copies, having the Social Security number on the certificate.

Mr. THOMAS. So the copy is more valuable that you sell to the people because the Social Security number is on it?

If it wasn't a useful number, you wouldn't put it on there, right?

Mr. KING. If there wasn't a use for that information to be on the death certificate, no, sir, it wouldn't be on there.

Mr. THOMAS. So it increases the value of the document you sell that you have the Federal number on there?

Mr. KING. Yes, it would.

Mr. THOMAS. If we charged you for the use of the Federal number, do you think you would refuse to put it on the death certificate, since it would be an added charge or would you pass it on?

Mr. KING. We don't use that.

Mr. THOMAS. You put it on the death certificate form.

Mr. KING. It is on the death certificate form.

Mr. THOMAS. Do you want to drop the number from the form? Would that be a good idea?

Mr. KING. No, it would not.

Mr. THOMAS. Why?

Mr. KING. Because that number is useful to be on that record for purposes of the family settling the estate.

Mr. THOMAS. There is a lot of information that is useful that really should be passed between Government agencies at absolutely minimal cost. Is the current practice now with death information from the States, in your opinion?

Mr. KING. I am sorry, sir, I don't understand the question.

Mr. THOMAS. Is death information, which is collected by the State, passed on to the Federal Government in all instances at an at-cost charge?

Mr. KING. Yes, the cost—we look at the costs of providing that data, the costs of running the system, and have it spread equitably among the users. There is costs associated with furnishing death data. It is not just the 4 cents that it costs to press the button on the Xerox machine and make the copy, or the cost of the data tape, the marginal costs.

There is certainly more, other things to consider other than just those marginal costs.

Mr. THOMAS. But you are willing to sit down, and as the president of the State structure that collects this information nationwide, work with us in providing a one-stop shop arrangement for the Federal Government to be supplied this information if we are desirous of doing that?

Mr. KING. Yes, I am.

Mr. THOMAS. Is there anyone here who doesn't think it is a good idea to try to provide as accurate as possible a one-stop shop information for Federal agencies as well? Or do you believe that it should come through your own structure and that you feel more comfortable with the information rather than having it disseminated from a single source?

Mr. SMITH. I will vote to single source just because of the efficiencies that are involved.

Mr. THOMAS. I would think we have to get a fairly high level of reliability and examine how we get that information.

Mr. ENOFF. I think as long as it is verified by the person who is going to use it, one source seems to make sense, and we will take it from anywhere we can get it.

Mr. THOMAS. At no additional cost for the verification factor?

Mr. ENOFF. I would recommend that each agency verify it as they use it for their purpose because what is good for Labor may not be good for us.

Mr. THOMAS. Of course. That is one of the dangers. You have to have so much information passed on that isn't used by other agencies, but it just seems to me that there could be a little more coordination and communication, not just between Federal agencies. But from the States.

Your percentage was 99 percent other than the State information. Is that a figure that is accurate for most of the rest of you or do you tend to use that State information more than that? Anyone. That sounds good to you?

Mr. HALLMARK. We are not in possession of the State information.

Mr. THOMAS. You don't even contract for the State information. That is how unimportant it is. It is not worth spending the money to increase the reliability aspect from the sources that you already utilize?

Mr. HALLMARK. I think if each agency contracted separately, it wouldn't possibly be cost effective.

Mr. THOMAS. But you don't know whether you are or not, and there were instances in which people weren't even doing it before

the GAO study looked at it, so sometimes it is just an awareness factor.

Were you aware of the State information available to you?

Mr. HALLMARK. I was not aware of the absence of State data from the Social Security tape. We were aware that there were accuracy issues and that obviously each agency would have to do the verification.

Mr. THOMAS. I appreciate what you just said, but it wasn't responsive to the question I asked. What you basically did was say that the Social Security information wasn't as accurate as you thought it was.

Aren't you charged with making sure that your records, in terms of the programs that you are charged with are as accurate as possible?

Mr. HALLMARK. Absolutely.

Mr. THOMAS. Were you comfortable with the fact that you didn't need to contract with the various States to get the information for your purpose rather than shoving it over to SSA?

Mr. HALLMARK. As I think I explained, our analysis to date has been that the incidence of overpayment has been so low in our programs that we didn't feel that this kind of cross-match was absolutely necessary.

Obviously, we are going to be looking at this.

Chairman PICKLE. Would the gentleman yield?

Mr. THOMAS. You feel the GAO's report supports you in the general accuracy of your analysis of your failure or your need not to go into it?

Mr. HALLMARK. Of course, this morning is the first time we have seen the GAO report, but the information they provided to us informally previously, as I indicated, gave us a sense that in our particular program there were not a large number of errors. We will, however, be looking at the system and clearly stand ready to cooperate.

Mr. THOMAS. Mr. Chairman, did you want to get in on something?

Chairman PICKLE. Go ahead.

Mr. ENOFF. Mr. Thomas, might I add something to that?

Mr. THOMAS. Sure.

Mr. ENOFF. I think the reason it is 1 percent of the State data is because the State data is usually late, later than we can get information from HCFA or from other sources, and I think that working together we could improve the timeliness of the data.

One of the things that the subcommittee has talked about today is fraud. I really don't think we are ever going to get a lot of prosecutions for fraud, so it behooves us to get this information as quickly as possible so that we can stop those payments as quickly as possible. From our experience the States have some problems, varying from State to State with the localities reporting.

They kind of stack these up by the month or by the quarter, so they are late. There may be ways of improving that, and we could work together on that aspect.

Mr. THOMAS. Please understand, at least this Member's primary objective here, and that is not 100 percent nailing every person who has ever received a check fraudulently. It is not making sure

that every check that is sent out after the time of death is tracked down and returned.

My concern is that we look as though we are running on a system which, if we can get it processed within a year we are in good shape. I believe you are going to find out that that is an unacceptable timeframe for members on this committee. We will talk about Federal legislation if you need it.

If someone comes to me and tells me that we are, by and large, moving on a quarterly basis on accurate information in terms of canceling those benefits of people who have actually died, and it is done on a quarterly basis, then I think we will have achieved an enormous improvement in the system.

Are you telling me, then, and I need to know this, that you are more concerned with information that you can get from other Federal agencies to help you in doing your job than you are from getting the information from the States?

Mr. BOWER. Congressman, our staff tells me that absolutely the single most important additional source of information is the vital statistics from the States. Attached to my testimony in relation to this and your previous question, I have a chart that indicates of all the deaths we became aware of, how many of those were not voluntarily reported and the source of those, and you will note that SSA match and the HCFA match are the two biggest areas, with the HCFA match being far and away the largest.

But of course the State death records would perhaps tell us additional deaths that are obviously not reflected in this.

Mr. THOMAS. My concern is I am looking for help in figuring out where we should place the emphasis. Should we go back and beat up the States in terms of the constitutional requirement of dual citizenship, force them to provide us with more information and work out an arrangement where the States are required by Federal edict to supply us with information? Should we create an internal communications structure so that the flow of information is as bump free as possible through the Federal system and let it be the primary focus for you folks?

What would help you the most in terms of cleaning up the system? I am not interested in punishing anybody. I am interested in making the system work.

Mr. ENOFF. I think, since most of the Federal agencies currently match benefit payments, that it would be fairly safe to assume that when another agency, who is paying the same individual, stops paying, we see that. We can check that, so the State information about individuals who are not receiving another Federal benefit would be helpful, but that is why HCFA and the post office are two good sources also.

The post office returns checks when they find out a person is deceased. We get 4 percent of deaths first reported from them, about 5 percent from HCFA, and 1 percent from the States. I don't think anybody else has the information that the States have.

Mr. THOMAS. DOD, just briefly, Mr. Chairman, have you found on the pension offset arrangement, on the double-dipping aspect, that you do a lot more comparing than you did before in terms of your need to make sure that that doesn't occur?

Mr. CONTE. Very much so. We do a lot more comparing. But I would like to refer back to earlier comments, and I may have to correct this for the record, but in looking at all the historical data and inputs in preparation for this hearing, it seemed to me that the data show that DOD used to contract directly with the States. However, when the Social Security Act of 1983 established a national death file, DOD assumed that that would, indeed, be a national death file which would include data from the States. As a result, DOD no longer contracted with the States.

Mr. THOMAS. You read the 1983 legislation the same way we read.

Mr. CONTE. Well, based on what we heard this morning, we now have to reassess. It was mentioned here earlier that the VA and perhaps OPM is trying to negotiate an agreement with the Social Security Administration to get the State data. I believe DOD is also going to be in the process of assessing whether it is going to be cost effective for us to do that. If the national death file is indeed incomplete, then we would have to look to see whether or not we want to contract with the Social Security Administration or separately with the States.

Mr. THOMAS. This subcommittee would appreciate any information you develop in your research about cost effectiveness and what you may or may not do. It would help us in our decisionmaking. Thanks very much, Mr. Chairman.

Thank all of you very much.

Chairman PICKLE. Thank you, Mr. Thomas.

We particularly thank you for your participation in this hearing. Now, gentleman, I am very grateful to you that you would come to us today and present your views. I think the exchange of ideas between you as a group and individually and our members has been helpful to us, so I want to thank you now.

We have asked you some questions today, but we may have other questions that we are going to submit to your agency or to you in writing, and we will ask that you respond to us with those answers as quickly as possible. We also will ask GAO to respond to some of the statements that have been made in your testimony. I am going to ask that you would do that as soon as we get these questions to you, so we will have a quick response.

Now, it seems to me that we should all admit that we do have a problem here and that there must be a better way to go about it. Each agency can look at it from their viewpoint, and we could take some comfort in the fact that some of you could say that our losses might be small overall in comparison, but that is not enough, though it may be factually correct.

When you consider, though, that we say that based on the GAO review that we are losing upwards of $250 million a year because of the lack of coordination, none of you really question those figures I have heard this morning. It is an estimate, but we asked the GAO to look into it so we would have some idea of what the problem is, and I believe the American taxpayer is going to say that if we are losing $250 million by this process of poor coordination, something ought to be done about it.

I am not convinced that this subcommittee has any specific plan that we wish to advance. When we made our corrections in 1983,

we set up a system for information to come from the States, and we agreed to pay for it. SSA pays approximately a half million dollars a year for this information that they are getting from the States. And I keep asking myself with respect to the States primarily, I just ask myself, what additional cost would it be to you, what costs would you have to bear, the States, Mr. King, if this information furnished to the SSA, was forwarded on to the various governmental agencies?

What costs would you bear if that information that SSA now gathers is disseminated to the Federal agencies?

Mr. KING. There would be no additional cost.

Chairman PICKLE. No cost.

Mr. KING. The primary issue in this area, at least in those 34 States where the records aren't public is an inability because of State laws to give the data to the Federal Government for use for any and all purposes.

Chairman PICKLE. Well, there might be some cost, we will say, in the area of welfare and those kinds of programs, but basically there is practically no cost. You would have to admit that.

Now, if that is the case, then what can we do about it? I am going to make a suggestion to you and to the committee, and Mr. Schulze and I believe that we might try to attack this problem by forming an informal task force here to examine the various approaches, and keeping in mind your recommendations.

Now, we could go one route. Our committee could say that we would just authorize the SSA to negotiate a Governmentwide contract with the States, and in addition to the 21 cents that SSA pays you now, we might say to the States we would increase that for some amount in the case that you did provide some extra services and some more requirements are placed on you.

It is hard for me to see what they might be, but we could see if we could maybe increase the payment. If we did that, then the question is who pays for that, and that means SSA would be paying double what they already pay to get the information twice, and that is kind of hard to make logic out of that, but that could be approached.

We could also say that we would require the States to provide death information on a Governmentwide basis at no additional charge, just no additional charge because in exchange for that you would get continued State access to SSA data, which is valuable to you. You would get continued Federal permission for the States to use Social Security numbers, like on drivers licenses, and you could get Federal benefit programs provided to the States.

Now, that is a strong approach. Mr. Thomas has touched on some of those approaches. I am not prepared at this point to say that either route ought to be the course, but I am going to ask to have a task force formed, and I am going to ask that this task force be operated out of the Oversight Subcommittee, which would have a staff representative on that task force. We are going to have a staff representative from the Social Security Subcommittee, Mr. Jacobs' subcommittee, because of its direct involvement.

I think we ought to have representation from SSA. We must have the OMB, and I think, Mr. King, your organization ought to be involved so we would have a State representation on the task

force. In addition, any of you other groups would be asked to submit any additional information to this task force.

I am further going to ask Mr. Jenkins on our subcommittee, representing the Democratic side, and Mr. Sundquist on the minority side to join in on this task force. I think that if we were to meet and examine and make back a preliminary recommendation to us by the middle of March, this can be done.

I don't see any reason for prolonging it, and I think we could discus with each one of you your own individual views and your recommendations on it, but I don't think we need to quibble about it, so to speak. The purpose of the GAO audit was simply to get a feel for it. It was not thorough, complete. It was a symbolic report to us, indicative of what the problem was.

We did not go into the depth of a lot of these different programs, particularly Mr. Hallmark at Labor. We didn't touch PBGC, and that could be as high as Mount Everest, perhaps. We got a feel for it, and we know we have got to do a better job, so I am going to ask that this task force be put together, and start meeting, and see if it could give us some recommendation for a course for us to consider with the concurrence and with the approval of the full committee, whatever the chairman thinks we ought to do.

It would seem to me that it is beyond question that we do something, that we can do a better job, and I would expect that the American people would want us to do a better job.

Now, if anyone of you have got any suggestions about how you would go about it differently, or if you want to specifically give us information that ought to be considered by this task force, please get it to us. Now, Mr. Enoff, my staff will be in touch with you, and I want to say particularly today to the OMB—do we have the OMB man still here?

Well, Mr. OMB in the back row, we are going to put you on the front row. The GAO specifically recommended that you ought to require this kind of reporting and coordination, and it has not been done by OMB, nor has it been aggressively done by SSA, and it seems to me that OMB, representing the Federal agencies, ought to be the leading advocate for some kind of a change or a different approach.

I am going to ask you to tell your folks down at the OMB that we are going to expect you to be a part of this, to take a lead in it because I think you have that responsibility, perhaps more than any of these other agencies, so, sir, you will take that word to the OMB. I think the committee would appreciate that.

Now, do any of you have any other suggestions or comments to make with respect to the approach we want to take? I am saying, in effect, we are going to try to follow through on this, put together this information, and have a representative group to make further analysis of it and perhaps then give that to the subcommittee for study for a positive approach by way of some kind of a bill.

We are not saying we are going to do that, but I think we have reached a point where we figure something ought to be done. Do any of you have any further comments you want to make?

Well, all right, then, I thank you. What you have given to us has been well-stated, and we appreciate it, and before we adjourn, let me ask Mr. Thomas——

Mr. THOMAS. In your creation of the task force, did I hear you mention that perhaps we might want a representative from Treasury on there or do you believe that OMB is an appropriate avenue for that?

Chairman PICKLE. I heard your comment this morning, you or Mr. Jenkins, and we might do it. I had thought, through OMB, that would have been effective, but we will add Treasury.

Mr. THOMAS. Let's check with OMB and see if Treasury needs to be on it. Thank you, Mr. Chairman.

Chairman PICKLE. Thank you all very much. This has been helpful, so let's work together. Thank you.

The hearing is adjourned.

[Whereupon, at 12:10 p.m. the hearing was adjourned.]

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